Austria	Sch30	Indonesia	Rp3100	Philippines	Pes40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc150
Belgium	BFr55	Israel	Shk3.60	Qatar	QR8.00
Cyprus	C£0.90	Italy	L2200	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta165
Finland	FM8.00	Lebanon	L£400.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.80	Malaysia	Rin4.25	Thailand	Bht60
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft167	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,072 • THE FINANCIAL TIMES LIMITED 1990 — Monday February 12 1990 — D 8523A

ROMANIA
No pistons at dawn
Page 14

World News

Kohl hails unification talks with Gorbachev

The Soviet Union has given the Governments of East and West Germany a free hand to decide on the timing, principles and form of an eventual unification of the two countries amid signs that the process towards unification is accelerating.

Chancellor Helmut Kohl of West Germany returned to Bonn yesterday after what he called "an historic day" of talks in Moscow with President Mikhail Gorbachev, the Soviet leader, saying: "The way to reunification is free." Page 20

Chirac wins vote

Potential mutiny in France's conservative Gaullist party, the Rassemblement Pour le République (RPR), was narrowly averted when Jacques Chirac, the RPR's leader, won what amounted to a vote of confidence by barely two points. Page 4

US-Soviet talks

US-Soviet trade talks due to open today in Washington, give concrete foundation to President Bush's oft-expressed desire to "to see perestroika succeed." Page 4

Iraq accused

Iraq continues to suppress ruthlessly any form of dissent according to a Human Rights Watch report. Page 3

Student unrest

Chinese students, under ever tighter state control since leading last year's democracy movement, expressed dismay at rules preventing them from studying abroad. Page 3

Japan LDP ahead

Japan's ruling Liberal Democratic Party seems to be gaining the upper hand with less than a week to go in Japan's lacklustre general election campaign. Page 3

Likud revolt

Revolt by hardliners in Israel's Likud Party is set to come to a head at a confrontation which Mr Yitzhak Shamir, the Prime Minister, must win if moves towards Israeli-Palestinian peace talks are to remain on course. Page 3

Perth leaders resign

Western Australia's Premier Mr Peter Dowding and Deputy Premier Mr David Parker, announced their resignations in a move to boost the Australian Labor party's chances at the federal election. Page 3

French air strike

French pilots and flight technicians, in a 48-hour strike, forced Air France to cancel some medium-haul flights from Charles de Gaulle airport and Orly. Page 4

Victory for Greens

Poland's tiny Green Party defeated Solidarity in Krakow when Jerzy Rosciszewski, a 56-year-old farmer, became the first Green mayor of an East European city.

Kashmir shootings

Indian troops killed at least six protesters trying to cross a military control line in disputed Kashmir, said Premier Sikandar Hayat of Pakistan-controlled Kashmir.

Hostages exchanged

Rival political groups in Karachi, Pakistani, exchanged 18 kidnapped activists from the ruling Pakistan People's Party (PPP) for nine from the Mohajir National Movement (MQM) after two days of army-brokered talks.

Rally in Moldavia

At least 50,000 people massed in Kishinev, Moldavian capital, to applaud speakers of the Communist Party and a radical opposition group demanding greater autonomy. Party leaders ousted, Page 20

Pope truce appeal

Pope John Paul appealed for a truce in the civil war in southern Sudan to allow relief supplies to reach Juba, besieged by the rebel Sudan People's Liberation Army.

Six killed in Salvador

At least six people were killed when El Salvador Air Force helicopter gunships and warplanes bombed the Corral de Piedra resettlement site for former refugees, witnesses said.

Alpine bus crash

Three Italians and one Swiss passenger were killed when the bus they were on plunged 50 metres down a Swiss ravine in a blizzard near the border with Italy.

Business Summary

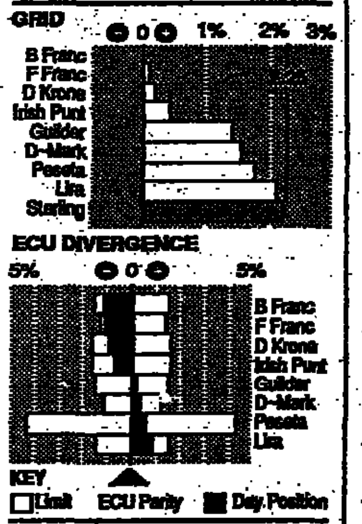
Chinese industrial output falls 6% to $28bn

CHINA announced its biggest drop in industrial production for a decade, as evidence mounts that the country's economic austerity programme is pushing key sectors of the economy into recession.

Recent figures show that the value of industrial output plunged 6.1 per cent to Yuan 127.8bn ($28bn) compared with a year earlier. Page 20

EUROPEAN Monetary System: EMS cross rates ended steady after a week dominated by discussion of German unity and speculation over a possible interest rate rise by the Bundesbank. The D-Mark, in spite of its strength against the Dollar, did not cause problems within the system. The Lira ended close to its cross rates limit against weaker currencies.

EMS — February 9, 1990



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

EUROPEAN Commission's plans to bring corporate taxation into line are expected to be given fresh impetus by Mrs Christiane Scrivener, EC commissioner in charge of taxation. Page 4

UK sales volumes were especially buoyant in January, in spite of pessimism among retailers, according to a Confederation of British Industry/Financial Times distributive trades survey. Page 6

BRITISH Nuclear Fuels has begun talks with union leaders on the feasibility of introducing a 35-hour week for all 15,600 employees, including manual workers. Page 5

MEXICO'S prices rose by 4.8 per cent in January, or nearly a third of the Government's 15.3 per cent projection for inflation for the whole year, according to Bank of Mexico figures. Page 3

PEKING'S hard line political leadership has given five special economic zones in southern China the go-ahead to continue with their capitalist-style economic development.

DUBAI'S International Development Corp has signed a joint venture agreement with Iran for the construction of $1.35bn (£800m) aluminium smelter at the Southern Iranian port of Bandar Abbas. Page 3

US Savings and Loans: Rescue of $166bn industry has run into problems after resignation of a key official amid complaints of administration infighting and growing losses. Page 3

MATRA, French defence, telecommunications and transport group, announced net consolidated profits up nearly 75 per cent in 1989 on turnover up 12.4 per cent. Page 23

GUIDELINES introduced by US bank regulators to allow them to track lending to heavily-indebted companies have brought strong protests from American banks. Page 22

ARAB Banking Corporation is to become the first Gulf-based group to offer shares to foreign investors. Page 23

FIAT'S construction machinery division completed the acquisition of Benati, Italian equipment maker. Page 23

COMPAGNIE Bancaire, French financial services group, made net profits of FFr1.09bn ($192.6m) last year, 4.5 per cent higher than in 1988. Page 23

WHIRLPOOL, US domestic appliances manufacturer, is to sell its vacuum cleaner subsidiary. Page 23

"The factors which necessitated the armed struggle still exist...We have no option but to continue"

Mandela vows to fight on

By Michael Holman and Patti Waldmeir in Cape Town

MR NELSON MANDELA yesterday ended 27 years of imprisonment with a fervent reaffirmation of the principles of the African National Congress, including the armed struggle, and urged the outside world not to relax economic sanctions against South Africa.

Addressing a rally of tens of thousands of supporters in Cape Town five hours after his release, the 71-year-old ANC leader also urged the outside world not to relax economic sanctions against South Africa.

Mr Mandela called on the international community to continue its policy of isolating the Pretoria Government, a call which will dismay Mrs Margaret Thatcher, the British Prime Minister, in particular, for she believes that the recent reforms introduced by Mr de Klerk should be rewarded by the selective easing rather than tightening of sanctions.

He stressed that President F. W. de Klerk had yet to meet all the preconditions to constitutional talks with black South Africa.

He opened his first public address for more than three decades with the words: "I greet you all in the name of peace, democracy and freedom for all."

In a declaration certain to dismay South African whites, and in particular raise tension among the ranks of right-wing extremists, Mr Mandela said: "The factors which necessitated the armed struggle still exists today. We have no option but to continue."

However, Mr Mandela did hold out the possibility of a suspension of violence. "We express the hope that a climate conducive to a negotiated settlement will be created soon so that there will be no longer the need for an armed struggle," he said.

Mr Mandela's threat to sustain the guerrilla war is seen as more rhetorical than real. There has been a de facto suspension of violence for several months, and recently a senior ANC official acknowledged that the organisation did not have the capacity to "intensify" the war even if it wanted to.

His remarks will nevertheless dismay President de Klerk, who must have been hoping for a more conciliatory stance from his erstwhile prisoner.

Mr Mandela, looking well despite his prison ordeal, told the crowd: "We are still suffering under the policies of a National Party government."

To enthusiastic roars of *amandla* - power - the ANC leader told the crowd: "Our march to freedom cannot be stopped. We can no longer wait. Now is the time for intensifying the struggle on all fronts."

Speaking with a vigour that belied his age, he told the rally: "There must be an end to white domination and a fundamental restructuring of our political and economic system."

He has recently alarmed the South African business community with his renewed commitment to nationalise the country's mines and leading industries, but he did not elab-

Continued on Page 20

"I greet you all in the name of peace, democracy and freedom for all"

Shots mar celebration at rally in city centre

By Michael Holman, Patti Waldmeir and Jim Jones

THE shots rang out against a picture postcard scene of blue skies, majestic Table Mountain and Cape Town's ornate Victorian City Hall garlanded with the black, green and gold banner of the African National Congress (ANC).

Nelson Mandela's first public rally was off to a dreadful start.

People heard shotgun fire, police helicopters criss-crossing the sky, wailing ambulances, barking police dogs, and chanting black youths, pounding their feet and issuing angry challenges.

The centre of the city was a battlefield.

The route into Cape Town had been lined with tens of thousands of people, black and white, some crying with emotion, who teemed on to the road and slowed the speed of the convoy. Throughout South Africa millions celebrated.

By the time the ANC leader finally arrived some five hours after the promised start sections of the massive crowd had several times been forced to throw themselves on the ground to avoid stray police buckshot, aimed at looters who had smashed shop windows bordering the Grand Parade.

An anguished onlooker pointed angrily towards the balcony of the hall where Mr Mandela had yet to appear. "They are to blame. They've come too late. People have got frustrated."

"It's not safe here," one young man muttered hurriedly in passing, staunching the blood which flowed from buckshot wounds to his face and neck.

It was a sad commentary on what ought to have been a major celebration.

Soweto's crowds concentrated near the Mandela home and at the Jabulani stadium. But for the rest, this sprawling township went about its normal Sunday business. In places soccer matches seemed more important than any release.

However, on the East Rand tens of thousands exploded onto township streets after watching the release on television.

In Katlehong, near Germiston, an estimated 250,000 people thronged the streets as township residents were joined by about 20,000 from

Continued on Page 20

Bush praises 'bold leadership' by de Klerk

By Peter Riddell in Washington and Michael Cassell and Maggie Urry in London

US President George Bush yesterday praised South Africa's President F.W. de Klerk for "bold and imaginative leadership" as Mr Nelson Mandela was released from prison.

Mr Bush said the decision to release Mr Mandela had "earned the admiration of many of us who hope for swift and peaceful evolution in South Africa."

Many other world leaders welcomed the South African government's decision. Companies, however, adopted a cautious attitude to immediate investment prospects.

Mrs Margaret Thatcher on Saturday warmly welcomed news of the impending release and lifted some minor sanctions against South Africa, saying South Africa now needed the practical encouragement of the international community to continue with reforms.

She had been due to make a further statement in Downing Street last night, but cancelled these plans at the last minute immediately after Mr Mandela's address in Cape Town. A spokesman said she did not think she had anything to add.

Britain's voluntary ban on new investment in South Africa has been ended, and the Government will encourage, scientific, academic and cultural contacts.

Britain is to seek a review by EC and Commonwealth governments of the continuing imposition and impact of sanctions against South Africa. Mrs Thatcher has written to European and Commonwealth leaders asking them to consider taking a "more positive" approach in encouraging the end of apartheid.

The move, which is likely to meet with firm resistance from opponents of any premature lifting of economic pressure on South Africa, has been put on the agenda for a meeting of EC foreign ministers in Dublin on February 20.

Mr Bush repeated his invitation to meet separately in Washington with President de Klerk and Mr Mandela "in the coming months as part of my continuing dialogue with the South African leadership."

The US administration regards such encouragement as the appropriate first stage in a step-by-step dialogue with South African leaders to support negotiations. It is likely to move cautiously over early relaxation of US sanctions against South Africa, waiting to see how negotiations develop.

British companies said the release was a step in the right direction, but of itself did not change anything. They did not expect to change investment plans. However, there are hopes that further political change in the country could help expand the South African economy. That might increase trade with the country, depending on whether sanctions are eased.

ICI, the chemicals group, said Mr Mandela's release alone did not make the country a more attractive place to invest. Barclays Bank, which sold its business in South Africa in 1987, said it was not planning to return there.

Perrier production halted as 72m bottles recalled in US

By Alan Friedman in New York

PRODUCTION of Perrier, the French mineral water, has been halted and North American sales stopped because of suspected contamination.

Perrier Group of America, Perrier's American importer, announcing the halt to production at the weekend, said it would recall 72m bottles from US stores and restaurants.

The scare arose after public health officials in North Carolina detected traces of the cancer-causing benzene, a colourless, flammable chemical used in the production of paint.

The US stoppage of Perrier sales will last two to three months and cost the company around $40m in lost sales, according to Mr Ronald Davis, president of Perrier Group of America.

US sales of Perrier's regular and flavoured waters are $160m a year. Mr Davis said on Saturday that the search for the cause of the "chemical intrusion" is focusing on distribution and on packaging of the product at Perrier's plant in Vergeze, France.

The Perrier chief said the contaminated water is not considered an immediate health hazard by the US Food and Drug Administration (FDA) and said the production halt and US recall means "we're acting aggressively and responsibly in the interests of the public".

Mr Davis said the cause of the contamination, which showed up in bottles produced at Vergeze between June 1989 and last month, appeared to be "human error". He described it as "a very freak accident".

Tests of Perrier bottles in North Carolina and Georgia found the benzene level to be 12.3 to 19.9 parts per billion, well above the FDA's permissible limit of five units per billion of water. An FDA official nonetheless said that "if you consumed about 16 fluid ounces a day, your life-time risk of cancer might increase by one in a million".

The benzene quotient thus appears to pose greater dangers in terms of Perrier's image than in safety, but this is no small threat given that the international success of the chic green-bottled water is based on marketing.

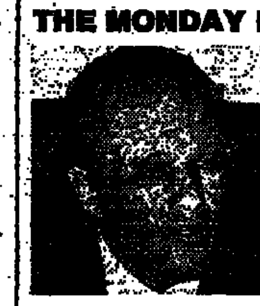
It is too early to say whether Perrier's worldwide sales will be affected by the US scare and production halt in France. The company's global 1988 sales were $2.6 bn and estimates for 1989 suggest revenues of around $3 bn.

The reaction across America was swift, with maitre d'hotels joining supermarket managers in packing up the bottles and promoting the likes of Evian, Saratoga, Levissima and San Pellegrino mineral waters instead.

Cocktail and dinner parties from Manhattan to Beverly Hills were reportedly ruined by the development and this week will see countless "power lunches" deprived of their trademark drink.

CONTENTS

THE MONDAY INTERVIEW



A merger that tragically went awry touched off a highly public, month-long battle that divided the board at Banco Bilbao Vizcaya, Spain's biggest bank. The bank's new president, Emilio Ybarra (left), explains *how he will go about* healing the rift. Page 42

ANC leader steps off hero's pedestal into political maelstrom

By Patti Waldmeir in Cape Town

SO LONG as Mr Nelson Mandela symbolised nothing more nor less than the noblest of struggles against apartheid, he was a strong unifying influence within the anti-apartheid coalition.

As a symbol of black liberation, he bridged the gaps and healed the divisions; as a politician of altogether more human dimensions, Mr Mandela may find the unifying task very difficult to achieve.

Already, the process of transforming the man from martyr into politician has begun. And as his political role has grown, so have fears among black radicals that the 71-year-old Mr Mandela will, through conservatism or age, settle for too little, too soon.

Black suspicions focus on negotiations already held between Mr Mandela and the Government, which have involved numerous meetings with ministers and with two South African presidents: Mr P. W. Botha, who shocked the country by entertaining Mr Mandela to tea last July, only weeks before he resigned as president; and more recently, the serving President, Mr F.W. de Klerk.

Mr Mandela appears to have set his own agenda in the talks, referring positions to the ANC for approval only after the fact.

He has argued that the difficulties of prison life prevented fuller consultation with his colleagues; but he may in fact have welcomed the opportunity to pursue an independent line, free of the ideological straitjacket which has long constrained the ANC.

The political reforms announced on February 2 were the result of those negotiations. They were the most radical introduced by an Afrikaner government in over 40 years, and included legalisation of the ANC and other political groups, freedom for some political prisoners, and lifting of restrictions on anti-apartheid activists and organisations.

The reforms provoked a wide range of responses from the anti-apartheid opposition, from unashamed delight to outright rejection. Archbishop Desmond Tutu, the veteran anti-apartheid activist, said the measures took his breath away, while the Pan Africanist Congress (PAC), the second largest liberation movement, dismissed them as "irrelevant and meaningless".

The Congress of South African Trade Unions (Cosatu), a leading force in the anti-apartheid movement, said the moves fell far short of expectations. At the same time the United Democratic Front, an umbrella organisation to which Cosatu

Black politics

is affiliated, welcomed the boldness of the moves and said it would study them further before responding definitively.

Even the ANC itself spoke with many voices on the issue, with some more moderate members raising hopes of early talks with Pretoria while others ruled talks out altogether.

This divergence of views left little doubt that strains within the anti-apartheid coalition were beginning to tell.

It was inevitable that they would do: for under the broad banner of opposition to apartheid march groups with widely differing interests, aims and methods.

The MDM, the largest internal movement, brings together hundreds of organisations from church and women's groups to trade unions and radical youth groups, uniting people of all colours, ages and races.

But the MDM has no formal structure or officers – this was thought to be the best way to protect it from Pretoria's former policy of detentions and repression – and no single policy on just about any issue except the destruction of apartheid. Last December's anti-apartheid conference in Johannesburg – the largest held in South Africa – illustrated the lack of unity.

Two of the largest black groups – the Zulu political movement Inkatha, headed by Chief Mangosuthu Buthelezi, and the radical Pan Africanist Movement (internal wing of the PAC) – refused even to attend. And a third group which did attend, the Black Consciousness Movement, later dissociated itself from conference resolutions.

But Inkatha, which claims a membership of 1.5m, cannot be ignored. Chief Buthelezi, Inkatha's leader, is despised as a collaborator by much of the exiled leadership of the ANC, but Lusaka snubs him at its peril.

Chief Buthelezi has long sought a reconciliation with the ANC and Mr Mandela has repeatedly demonstrated his willingness. Despite Mr Mandela's efforts – he wrote to Chief Buthelezi last year to plead for peace – violence continues in Natal between Inkatha and three groups allied to the ANC: the MDM, UDF and Cosatu. Peace talks to end the violence, which has left over 2,500 people dead in the past three years, are now suspended.

Cosatu itself, though it pledges allegiance to the ANC, will be looking out for its vested interests too, now Mr Mandela is free. Indeed, the leading figure in the union federation, Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers, has made it clear that Mr Mandela's leadership is not unquestioned.

He said in a recent interview that the released leader's status "is no different from the status of any other member of the ANC", acknowledging only that he "may have to be considered for a leadership position in the ANC".

The South African Communist Party (SACP) which commands a strong following within the top ranks of the anti-apartheid movement, could also prove a source of friction. So far, it has made common cause with the broad anti-apartheid coalition but, at some point, its goals must differ.

Delivering the whole of the anti-apartheid constituency to the negotiating table will prove extremely difficult. Somehow, Mr Mandela must steer a course between the capitalism of Chief Buthelezi, the socialism of most of the anti-apartheid movement and the Stalinism of parts of the union movement. Yet, at the moment, the divisions seem deeper than ever.

THE ROAD TO FREEDOM

18 July 1918: Nelson Rolihlahla Mandela born at Qunu, near Umtata, now in the Transkei homeland.

1940: Expelled from Fort Hare College in the Ciskei, for supporting a student boycott.

1942: Mandela moves in with Walter Sisulu (recently released after 25 years in prison), who hires him at £2 a month at his estate agency; he enrols at Witwatersrand University faculty of law, and joins the ANC.

1944: Mandela marries Eveline, Sisulu's cousin. Mandela, Oliver Tambo and Walter Sisulu found ANC youth league.

1952: Mandela helps organise "defiance campaign" of peaceful protest. Arrested and serves his first, brief, term of imprisonment; banned by Government.

1953: Sets up the country's first African legal partnership, with Oliver Tambo.

1955: Congress of the People convened in Kliptown, adopts the freedom charter. *Mandela separates from* his first wife, meets Winnie Madikizela.

1958: Mandela marries Winnie. Pan Africanist Congress splits from ANC, under Robert Sobukwe

1960: Police kill 69 in Sharpeville. State of emergency; ANC and PAC are banned.

1961: Helps set up Umkhonto we Sizwe (Spear of the Nation), the ANC military wing.

1963: Police raid Lilliesleaf farm in the Johannesburg *suburb of Rivonia, and arrest ANC leaders. Man*dela and other leaders brought to trial for attempting to overthrow the state.

1964: Mandela and most other co-accused found guilty and sentenced to life imprisonment.

1976: Soweto uprising.

1977: Steve Biko, black consciousness leader, dies in police custody.

1988: Mandela suffers from tuberculosis; moved to *Constantiaberg Clinic, Cape Town.*

1988: Mandela moved to a prison warder's bungalow at Victor Verster Prison, near Paarl.

11 February 1990: Mandela released from prison.

Residents of Soweto celebrate Nelson Mandela's release

De Klerk braced for angry backlash from extreme right

By Michael Holman and Patti Waldmeir in Cape Town

AS Mr F.W. de Klerk carries his country inexorably towards black majority rule, he will not have forgotten that one third of the South African electorate voted for ultra-right wing parties in the last general elections, and that the same radical right parties dominate the security forces, whose support is crucial to ensure a peaceful transition to democracy.

Within hours of Mr de Klerk's announcement on Saturday that Mr Mandela would be released the next day, supporters of the far right held the first of what are expected to be a series of passionate demonstrations against what they see as the "sell-out" of white South Africa. Mr de Klerk and his party are well aware of this threat.

Within three months of the September 6 elections, Mr de Klerk had already moved to neutralise the right-wing threat from the security forces, by dismantling the National Security Management system – a network of military, police and intelligence officers who effectively ruled black townships – and downgrading the State Security Council, which took most important decisions under his predecessor, Mr P.W. Botha.

The coming days and weeks will prove a severe test of Mr de Klerk's strategy.

The far-right Conservative Party (CP) and the smaller but even more extreme Afrikaner Weerstandsbeweging (AWB) are disproportionately represented in the police and the armed forces.

These two parties have reacted to recent developments with fury.

There can be no guarantee

White politics

that their supporters within the ranks of the security services, as well as civilian backers who are as likely as not to keep weapons at home, will curb their anger as they watch Mr Mandela make his triumphal tour of the country's main cities with the black, green and gold banner of the ANC unfurled above him.

There is also a practical problem of a different nature.

The South African security services are not accustomed to handling crowds without recourse to their traditional weapons: whips, truncheons, dogs, teargas and birdshot.

Even if they have taken Mr de Klerk's comments to heart, they may well find it difficult to put them into practice. Mr de Klerk also faces a possible constitutional hurdle in the months ahead.

He and his ministers have committed themselves to some form of test of white opinion – either a general election or, which is much more likely, a referendum.

Although this election need not take place before 1994 – by which time Mr de Klerk hopes that the benefits of an accommodation with black demands will be apparent to the electorate – there remains no guarantee that the National Party can win, even with the support of the liberal Democratic Party which won nearly a quarter of the white votes at last September's general election.

Companies mix high hopes with deep-seated fears

By Jim Jones in Johannesburg

SOUTH AFRICA'S businessmen are in two minds about Nelson Mandela's release. Naturally they welcome it as helping break the political log-jam which has bedevilled their country's trading effort and its economic development. But they are also wary of the ANC's continued public commitment to nationalisation and socialism.

The release is a key to unlock the economy says Mr Clem Sunter, a director of the Anglo American mining group. "We must not underestimate the new spirit in South Africa and its potential for creating

Business reaction

the social harmony needed to get the economy back on track." But once the jubilation dies down, Mr Sunter adds, South Africa still has to face hard economic facts.

There remains the problem of how to narrow the gap between black and white incomes, which he believes cannot be resolved by nationalisation or increased state intervention. The bottom line for businessmen is that South Africa could soon be restored to its former position among top trading nations with sanctions barriers tumbling and restored access to foreign capital, he says.

However, Mr Meyer Kahn, the head of South African Breweries, cautions that nationalisation or talk of nationalisation could quickly kill South Africa's chances of attracting foreign capital.

Mr Barry Swart, the chief executive of First National, South Africa's largest bank, expects European bankers to lead the way in extending new loans or rolling over existing ones. *But he remains cautious* about US bankers' attitudes, fearing their demands that loans be repaid will persist.

Mr Michael Hawarden, chief executive of the Tavistock coal company, hopes Mr Mandela's release will lead to a relaxation of trade sanctions which have hit coal exports for almost five years. He expects European countries to remove barriers to South African coal, though he cautions that this is unlikely to happen overnight.

South Africa remains the most influential trading country in determining export coal prices worldwide and sanctions *have forced its colliery compa*nies to cut prices to maintain market share. That pressure on prices could soon vanish, another coal trader says.

Coal and metals exporters are optimistic, but stockbrokers are wary of predicting the level of foreign interest in many local shares. Mr William Bowler of Fergusson Brothers expects renewed foreign investor interest in gold shares, as South African golds are cheap relative to Canadian or Australian stocks, but he is less optimistic about other shares. Nevertheless Mr Mandela's release is already opening opportuni*ties for South African compa*nies outside their own country. Anglo American has been invited by the Mozambican Government to invest there and Mr Sunter sees improved export opportunities with South Africa's neighbours.

He believes that as political considerations recede neighbouring countries will appreciate the skills South Africa's larger corporations can provide and they will look increasingly towards the south for technical aid and assistance.

'Freedom is an ideal for which I am prepared to die'

By Michael Holman and Patti Waldmeir

MR Nelson Mandela began his address to yesterday's Cape Town rally with a series of "salutes" which included an acknowledgement of the South African Communist Party's "sterling contribution to the struggle for democracy", singling out for special mention Mr Joe Slovo, the party's General Secretary and "one of our finest patriots".

Mr Mandela told the crowd that apartheid "has to be ended by our own decisive mass action in order to build peace and security. The mass campaigns of defiance and other actions of our organisations and people can only culminate in the establishment of democracy.

"The apartheid destruction on our sub-continent is incalculable. The fabric of family life of millions of my people has been shattered... our economy lies in ruins and our people are embroiled in political strife.

"Our resort to the armed struggle in 1960 with the formation of the military wing of

Speech on release

the ANC, Umkhonto we Sizwe, was a purely defensive action against the violence of apartheid.

"The factors which necessitated the armed struggle still exists today. We have no option but to continue.

"We express the hope that a climate conducive to a negotiated settlement would be created so that there may no longer be the need for the armed struggle."

Mr Mandela turned to the issue of the leadership of the ANC, whose president, Mr Oliver Tambo, is recovering from a stroke: "On the question of democratic practice I feel duty bound to make the point that a leader of the movement is a person who has been democratically elected at a national conference. This is a principle which must be upheld without any exception.

"Today I wish to report to you that my talks with the Government have been aimed at normalising the political situation in the country. We have not as yet begun discussing the basic demands of our struggle.

"I wish to stress that I myself had at no time entered into negotiations about the future of our country except to insist on a meeting between the ANC and the Government."

Mr Mandela went on: "Mr de Klerk has gone further than any other Nationalist president in taking real steps to normalise the situation. However there are further steps as outlined in the Harare Declaration that have to be met before negotiations on the basic demands of our people can begin.

"I reiterate our call for... the immediate ending of the state of emergency and the freeing of all, and not only some, political prisoners.

"Only such a normalised situation which allows for free political activity can allow us to consult our people in order to obtain a mandate.

"Negotiations cannot take place above the heads or behind the backs of our people. It is our belief that the future of our country can only be

'I stress I had at no time entered into negotiations about the future of our country'

determined by a body which is democratically elected on a non-racial basis.

"Negotiations on the dismantling of apartheid will have to address the overwhelming demands of our people for a democratic, non-racial, and unitary South Africa.

"There must be an end to white monopoly on political power and a fundamental restructuring of our political and economic systems to ensure that the inequalities of apartheid are addressed and our society thoroughly democratised."

Mr Mandela said that President F.W. de Klerk was "a man of integrity who is acutely aware of the dangers of a public figure not honouring his undertakings. But... the reality is that we are still suffering under the policies of the Nationalist Government.

"Our struggle has reached a decisive moment. Now is the time to intensify the struggle on all fronts.

"We call on our white compatriots to join us in the shaping of a new South Africa. The freedom movement is a political home for you too.

"We call on the international community to continue the campaign to isolate the apartheid régime. To lift sanctions now would be to run the risk of aborting the process towards the complete eradication of apartheid.

"Our march to freedom is irreversible. We must not allow fear to stand in our way. Universal sufferage on a common voters' roll in a united, democratic and non-racial South Africa is the only way to peace and racial harmony.

"In conclusion I wish to quote my own words during my trial in 1964. They are as

'We call on our white compatriots to join us in the shaping of a new South Africa.'

true today as they were then: 'I have fought against white domination, and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunity. It is an ideal which I hope to live for and to achieve. But if needs be, it is an ideal for which I am prepared to die'."

Shift towards new constitution vital for full repeal of sanctions

By Michael Holman

THE RELEASE of Mr Nelson Mandela is certain to prompt a searching review of economic sanctions against South Africa, a process already set in train by the package of reforms announced by President F.W. de Klerk 10 days ago.

Mrs Margaret Thatcher, the British Prime Minister, has already responded, lifting a voluntary ban on new investment in South Africa, while last week the Dutch Parliament agreed to postpone legislation which would have banned Dutch companies from new investment.

But British and US diplomats have cautioned South Africa against expecting a total repeal of sanctions before formal talks are underway, and before there is clear progress towards a new constitution.

The most damaging sanction South Africa has to cope with, however, comes not from the limited package of trade embargoes imposed by the US, Europe and others.

South African bankers and businessmen trace the most telling pressure to 1985, when a defiant speech by the then President, Mr P.W. Botha, triggered an external debt crisis. Foreign lenders refused to roll

Sanctions

over loans, forcing South Africa to become a net exporter of capital.

The first formal review of sanctions comes next week, when recent developments in South Africa will be discussed at a European Community meeting in Dublin.

EC measures are contained in two packages. In September 1985 the Community agreed on:

- Rigorous control of the existing embargo on arms to and from South Africa; the recall of military attachés accredited to South Africa, and an end to accreditation of military attachés from South Africa.
- Discouraging cultural and scientific agreements except where they contribute to the ending of apartheid.
- Cessation of oil exports.
- Ban on exports of police and army equipment.
- Ban on new collaboration in the nuclear sector.

Further EC measures were agreed in September 1986:

- Ban on imports of South Africa iron and steel; gold coins; and a ban on new investment.

A separate but overlapping set of measures was agreed by the Commonwealth in October 1985. This included:

- Strict enforcement of the arms and oil embargo.
- Reaffirmation of the 1977 Gleneagles agreement which called on Commonwealth members to discourage sporting links with South Africa.
- Ban on new Government loans.
- Ban on import of gold coins.
- No funding for trade missions to South Africa.

In August 1986, the list was extended to include a voluntary ban on new investment and on the promotion of tourism. EC measures were also endorsed.

A further range of embargoes has been adopted by other countries and blocs, such as Scandinavia, but given the small level of trade that existed the impact is slight.

Outside the EC, the other main arena in which sanctions will be reviewed is the US Congress.

An arms embargo, and a ban on Eximbank loans were already in place when former President Ronald Reagan reluctantly agreed in 1985 to ban gold coin imports, all loans except for projects benefiting all races, and prohibited computer and nuclear technology imports.

But the most telling package was introduced in August 1986, when the US Senate passed the Comprehensive Anti-Apartheid Act.

Its main features include bans on the imports of uranium, coal, iron, steel, agricultural products, textiles, and products from state-owned organisations.

It also ended direct air links to South Africa.

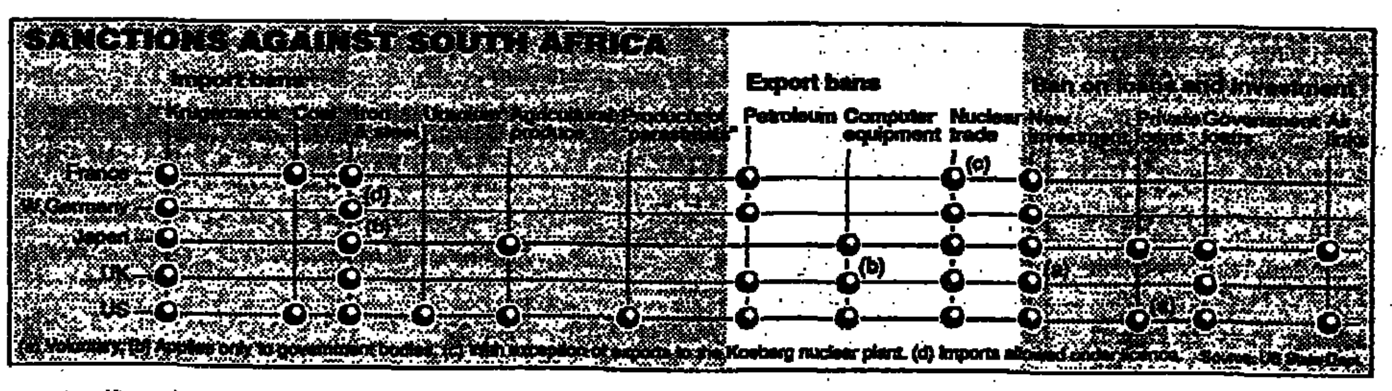
But unlike other sanctions packages, it set out terms which if met would lead to the lifting of the bans, as well as threatening further action if they were not fulfilled.

These terms are:

- Repeal of the state of emergency.
- Release of Mr Nelson Mandela and other political prisoners.
- Lifting of bans on political parties.
- An end to military activities against neighbouring states.
- A timetable for the elimination of apartheid laws.
- Enter into negotiations on a new political system with all racial groups.

US diplomats acknowledge that South Africa has either met or is moving towards, meeting these conditions.

President Bush is already reviewing progress.



OVERSEAS NEWS

Chinese students dismayed by regulations

CHINESE students, under ever tighter state control since leading last year's democracy movement, yesterday expressed dismay and anger at new regulations preventing them from studying abroad, Reuter reports from Peking.

According to an official document circulating among institutes and government offices, Chinese must work for five years before they can leave the country to study.

The new rules have not been announced publicly, but on Saturday an official in the state education commission confirmed their existence. He declined to give details.

Diplomats in Peking said the restrictions were aimed at stemming a haemorrhage of talent, and as a reply to the United States and other Western countries that had extended the visas of students fearing persecution on returning to China.

"Soon North Korea and Vietnam will be the only countries we will be able to visit," joked a student who expects the passport he already possesses to be revoked under the new regulations.

"The Communist Party has nothing new to offer," he added.

Another student said scornfully, "I'm sure the sons and daughters of the top cadres will find a way to study abroad."

Reaction has been muted on Peking campuses, hotbeds of dissent last year before the bloody military crackdown which followed the Tiananmen Square massacre in June, as many students are on winter vacation.

Only a month ago, education minister Li Tieying said China would not abandon the principle of sending students abroad.

More than 80,000 have gone overseas on state sponsorship since China launched economic reforms in 1978, and 30,000 have returned so far, Li said.

Thousands of Chinese have also paid for themselves to go abroad, many of them finding work on building sites and in sweatshops in Japan.

Long visa queues outside foreign embassies are an everyday sight in Peking, with applicants having to wait months for approval.

"These new measures are a disaster for young scientists especially," commented a government official privately.

The rules are the latest in a series of measures imposed by the communist party to reassert its authority over radical campuses.

Vague rules announced on Friday require students to take part in unspecified activities – most likely political education classes – and ban unauthorised publications.

● – A sudden leap in the number of known AIDS cases in China has forced the world's most populous country to switch its attention from foreigners to dirty needles and infected blood as causes of contamination.

Chinese medical experts were quoted yesterday calling on the Government to set up blood monitoring groups and start testing all donors as soon as possible.

LDP looks set to keep power in Japanese election

By Ian Rodger in Tokyo

WITH less than a week to go in the Japanese general election campaign, the ruling Liberal Democratic Party (LDP) appears to be gaining the upper hand.

Forecasts vary widely, with some predicting an easy victory for the LDP, others seeing the ruling party having to patch together a working majority with the help of independents and marginal parties after next Sunday's vote.

A telephone poll of 10,000 voters published by the Nihon Keizai Shimbun (Nikkei) Japan's leading business newspaper, on Friday, indicated that 34.1 per cent would vote for the LDP, 20.9 per cent for the Socialist JSP. Although this support level for the LDP seems fragile, it is roughly the same as that before the 1986 election, when the party won a landslide victory of 304 seats. Similarly, the level of undecided voters in the poll, 32.4 per cent, although high, is not unusual, according to Nikkei.

The big question in the campaign has been whether voters, who deserted the LDP in droves in last summer's upper house elections, are still angry enough with the ruling party's corrupt ways and unpalatable legislative measures to defect again.

LDP leaders have been trying to create the impression that they are in trouble, apparently with a view to frightening conservative voters out of any thoughts they may have of making another protest vote.

So far, as in past elections, national issues have made virtually no impression in the campaign, with the main battles being fought among individuals in the constituencies. On the ground, the old style of politics – in which money and personal contacts are the crucial factors – are still very much in evidence, although some new candidates, especially in cities, are trying gamely to break the mould, basing their appeal on image and policy statements.

In this campaign, controversy has centred on the proposal by Miss Takako Doi, the leader of the Japan Socialist Party, the largest opposition force, to restore a series of high commodity taxes on luxuries, including cars, in place of the much disliked three per cent consumption tax introduced by the LDP last year.

LDP leaders have poured scorn over the proposal, knowing it would be more unpopular than the consumption tax, and even some JSP officials have distanced themselves from it.

One reason for the subdued quality of the campaign is that everyone knows that once it is over, regardless of the outcome, the politicians are going to have to come to terms with a more difficult parliamentary situation than they have faced for four decades.

The LDP, having lost its majority in the upper house in last summer's elections, will have to take greater account of the views of the opposition parties in the future.

W Australian leaders resign to boost Hawke

By Chris Sherwell in Sydney

THE Premier and Deputy Premier of Western Australia yesterday announced their resignations, in a dramatic move to boost the Australian Labor party's chances at the forthcoming federal election.

Mr Peter Dowding and Mr David Parker, who have led the state Labor government since late 1987, acted after coming under intense pressure from the parliamentary caucus and the party's national leadership.

The new premier is expected to be Dr Carmen Lawrence, 41, who would be the first woman in Australian history to become a state leader. She won her seat only in 1986, but is untainted by the business scandals which have rocked the Government.

The federal election is due by mid-May, and Labor has grown worried that its haemorraging support in Western Australia will impair its chances of beating the opposition Liberal and National party coalition and win a record fourth term.

The main cause of the party's unpopularity at state level is its costly involvement in abortive attempts to rescue Rothwells, the failed finance house. Although it unexpectedly won re-election to the state government a year ago, the controversy lingered and deepened.

Last week an internal coup was mounted in Perth while Mr Dowding was at the world economic forum in Davos, Switzerland. Mr Bob Hawke, the Prime Minister, who was visiting Perth, in effect gave it his blessing, and last night both Mr Dowding, who rushed home early, and Mr Parker said they would resign at a caucus meeting today.

Some of the Government's decisions had with hindsight been wrong, Mr Dowding said, and he was accepting responsibility in the interests of the Labor Party. His departure, he added, had been under consideration for some time.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

S&L rescue thrown into disarray as official quits

By Peter Riddell, US Editor, in Washington

THE $166bn (£98bn) rescue of the US savings and loan industry has run into serious problems, following the resignation of a key official amid complaints of administration infighting, delays and growing losses.

Late on Friday, Mr Daniel Kearney resigned after only four months as president and chief executive officer of the oversight board of the Resolution Trust Corporation (RTC), responsible for setting broad policy for the rescue, the largest in US financial history. He complained of having insufficient authority after disagreements with the Treasury over the day-to-day running of the operation.

Mr Kearney's departure has been seized upon both leading congressmen and leaders of the savings and loan industry as symptomatic of wider problems with the rescue.

Congressman Henry Gonzalez, the Democratic chairman of the House Banking Committee, commented that "disarray and indecision are now publicly evident and this will do nothing but increase the cost of the bailout".

Since legislation was approved last summer, only 49 failed savings and loans, often known as thrifts, have been sold. A further 312 are under federal control and 200-300 more are expected to fail as tougher new capital standards are implemented.

The total cost of the rescue is now expected to be well over the $166bn over 10 years previously estimated.

There are two reasons for these problems, a cumbersome structure, with 12 agencies involved in decisions, and policies which industry experts argue discourage the purchase of ailing thrifts.

As head of the RTC oversight board, Mr Kearney was squeezed between the Treasury, setting policy, and the Federal Deposit Insurance Corporation, with day-to-day management responsibilities for running the RTC and the rescue but has lacked the ultimate decision-making authority. Congressional hearings have now been called in the hope of simplifying this structure.

One result has been a slow pace of deals with buyers of insolvent thrifts. The bidding process has been criticised as too lengthy, with the RTC seeking unrealistically high prices for ailing institutions. Commercial banks are said to be uninterested in acquiring thrifts already under federal control since they often do not present the opportunity for acquiring a viable branch network with many small depositors.

Mr Kenneth Guenther, executive vice president of the Independent Bankers Association, commented: "I think George Bush better watch out. The savings and loan problem is creeping closer and closer to his door again. Congress now can go on the offensive legitimately."

Similarly, Mr Fred Weber, president of the US League of Savings Associations, said his members were already concerned about the pace of the corporation's rescues. Corrections must be made quickly; "If not, the cost of case resolutions [rescues and closures] is going to take off like a rocket."

$1.35bn Iranian smelter contract

By Hunter Reynolds in Dubai

THE Dubai-based International Development Corp (IDC) has signed a joint venture agreement with Iran for the construction of $1.35bn (£800m) aluminium smelter at the southern Iranian port of Bandar Abbas.

This is the first big foreign joint venture since the Economy and Finance Ministry said last month it was raising the ceiling foreign investors can hold in Iranian companies from 35 to 49 per cent.

IDC, which is chaired by the Dubai-based entrepreneur Mr Mohamed Mahdi al-Tajir, is a consortium that includes George Wimpey, Asea Brown Boveri, Marc Rich and Caradel Investments.

The company said it signed a contract with the Iranian Ministry of Mines and Metals for a 220,000 tonnes-a-year smelter together with a power plant and desalination unit.

IDC has provided a financing package to cover the cost of the entire project, backed by a guarantee from the Iranian central bank. Half the plant's output will be exported to cover Iran's repayment of its share.

This is the latest in a series of aluminium projects planned in the Gulf.

Rebellion in Likud coming to a head

A REVOLT by hardliners in Israel's Likud Party is set to come to a head tonight in a confrontation which Mr Yitzhak Shamir, the Prime Minister, must win if fragile moves towards Israeli-Palestinian peace negotiations are to stay on course, Hugh Carnegy reports from Jerusalem.

In similar circumstances last July, Mr Shamir made concessions to the rebels, infuriating his Labour Party partners in the coalition Government and setting back his own peace proposals. This time he says he will make no compromises at the meeting of the 3,000-strong, policy-making Likud Central Committee.

The rebels are led by Mr Ariel Sharon, the fiery former defence minister, Mr David Levy, the housing minister and Mr Yitzhak Moda'i, the economics minister.

Deeply hostile to the plan Mr Shamir produced last May for elections in the Occupied Territories leading to Palestinian autonomy, the rebels want the party to bar the Prime Minister from accepting the inclusion in the talks of any Palestinians resident in Jerusalem or deported from the territories.

Confusingly, Mr Shamir has also taken public positions against both these Palestinian conditions. But, amid signs that a compromise on them might be at hand, he is insisting that his hands should not be tied by the party.

Mexican price rises outpacing targets

By Richard Johns in Mexico City

MEXICO'S prices rose by 4.8 per cent in January, or nearly a third of the Government's 15.3 per cent projection for inflation for the whole year, according to figures published by the Bank of Mexico at the weekend.

Reflecting the Government's concern that the steepest monthly increase since March 1988 might be seen as part of a long-term trend, Mr Jaime Serra Puche, Minister of Commerce and Industry, said the rise was a non-recurring "inflationary bubble".

The increase – which was worse than generally anticipated – is likely to bring higher interest rates and volatility in the money markets this week.

It is attributed largely to the public-sector price rises announced at the end of December – in particular, for tortillas (the maize pancake which is part of the Mexican staple diet), petrol, telephone charges and transport in the capital.

For Mexico City, the January inflation rate was 5.9 per cent, exceeded only by the 6.1 per cent recorded for Acapulco and the State of Mexico.

On an annualised basis the Consumer Price Index was up 22.5 per cent, with 8.3 per cent of it accounted for by the November-January period.

With selective liberalisation of prices in prospect and the conclusion of wage settlements far exceeding the 10 per cent rise in the minimum wage announced early in December, independent economists believe hopes of limiting inflation to 15.3 per cent for the year, compared to 20.9 per cent in 1989, are largely illusory.

At last week's auction there was a slight fall to 45.12 per cent in the rate for 28-day Cetes, or Treasury bills, the predominant money market instrument, but an increase is expected this week.

Chirac averts a party munity by narrow margin

By William Dawkins in Paris

A POTENTIAL mutiny in France's conservative Gaullist party, the Rassemblement Pour le République (RPR), was narrowly averted yesterday.

Mr Jacques Chirac, the RPR's leader, won what amounted to a vote of confidence by barely two points more than the 66.6 per cent support he had set himself as the minimum with which was prepared to continue.

The poll, on a manifesto written by Mr Chirac and Mr Alain Juppé, the RPR's secretary general, drew 68.6 per cent support at the party's national congress at the Parisian suburb of Le Bourget.

While Mr Chirac won near-unanimous support in a separate vote on his re-election as the RPR's political head, observers agree this was the most serious challenge to his position since becoming party president in 1976.

Chirac: vote of confidence

Mr Chirac, the RPR's twice-defeated presidential candidate and former prime minister, had come under criticism from both the right and left wings of his party.

They argue that he has not done enough to revive its image since the battering inflicted by the Socialists' victory in the May 1988 presidential elections.

Spearheading the attack were Mr Charles Pasqua, from the RPR's far right and party leader in the Senate, and Mr Philippe Séguin, mayor of the north-western town of Epinal, who stands on the RPR's modernist left.

They believe the RPR suffers from a bland brand of economic liberalism which makes it too like other right-wing parties in voters' minds.

Accordingly, they put forward a paper calling for a revival and renewal of the RPR's old Gaullist traditions, and posing an implicit threat to Mr Chirac's leadership style, while claiming they did not mean to challenge him.

Mr Chirac threatened to resign if his paper did not get at least two-thirds support from the congress, which he narrowly achieved.

Baker's Soviet visit seals new relationship

Lionel Barber reports on common interests which are pushing the superpowers closer

JUST BEFORE midnight, toward the end of a typically smooth performance before the press, Mr James Baker, the US Secretary of State, was asked why his four-day visit to Moscow had failed to include any meetings with Soviet dissidents or refuseniks.

Well, he said, looking rattled, the Soviet Union has made progress on human rights; the number of refuseniks has dwindled; the Soviets are allowing more emigration; and besides "we had a very full agenda".

Times have changed, but Mr Baker still tends to see talk on human rights as interfering with the practical business at hand, whether arms control or Afghanistan. His defensiveness on Friday night, therefore, betrayed a desire not to spoil what he calls the US/Soviet shift from "confrontation to dialogue to co-operation".

Force of circumstance as much as choice is pushing the superpowers towards co-operation. Perhaps the most important discussion during last week's meetings occurred last Friday in the Kremlin, when Mr Gorbachev and Mr Baker agreed that a reunified Germany was inevitable and that *its future status was negotiable.*

Mr Baker said the US would prefer that a reunited Germany remain a member of Nato, and he expressly ruled out neutrality. But he added that some half-way house such as German "association" with Nato might be the only way of assuaging security concerns among her neighbours, including the Soviet Union.

Baker in Bucharest meets Pastor Laszlo Tokes, whose resistance sparked the uprising. Mr Baker announced $80m in food aid.

In short, the Soviets cannot be left out of a German solution. The disintegration of Communism in Eastern Europe – while a cause for celebration in the West as well as in Poland, Hungary, and Czechoslovakia – is also, paradoxically, pulling the US and the Soviets together. For, as Mr Baker discovered last week in Prague, the collapse of the Warsaw Pact breaks both ways: President Vaclav Havel wants the 75,000 Soviet occupying troops out by December, but he also envisages Soviet withdrawal as the first step towards the dissolution of Nato and the Warsaw Pact (though the Americans did their best to give the playwright a quick counter-lesson in military strategy).

In an important speech in Prague last Wednesday, Mr Baker tried to respond to the demands of the post-Cold War era by offering new ideas on a future political and security framework for Europe. These ideas are expected to be developed in the Conference for Security and Co-operation in Europe – the 35-nation forum for East-West security and co-operation based on the Helsinki Final Acts – later this year. Some are already talking of a Congress of Vienna-style conference to approve a German solution as part of a wider European political settlement.

All this represents a sea-change in US thinking compared to a year ago, when the Bush Administration was wondering out aloud whether Mr Gorbachev was "for real".

The development in Mr Baker's thinking surfaced last September, shortly before the next high-level US-Soviet encounter in Jackson, Wyoming, where Mr Baker has his ranch. Having chosen home ground, Mr Baker made a second psychological adjustment, calling for a broader dialogue with the Soviets in the search for "mutual points of advantage".

In short, Mr Baker said: This is a man I can do business with. He then put the word out at the State Department: no more questioning Mr Gorbachev's motives, and no more stump speeches by the likes of Mr Larry Eagleburger, his deputy, whose public musings about the need to find stability at a time of rapid change were castigated as "Cold War nostalgia" by the Democrats.

The results in Wyoming were immediately apparent: a blossoming relationship between Mr Baker and Mr Eduard Shevardnadze, the Soviet Foreign Minister, and a barrage of arms control concessions by Moscow.

The most significant was to drop the linkage between a Strategic Arms Reduction Treaty (Start), halving each side's strategic nuclear missiles, and the demand for a common understanding on the Strategic Defence Initiative (Star Wars) and the 1972 Anti-Ballistic Missiles Treaty governing space weapons.

It was the turning point in this Administration's dealings with the Soviets, and a date for a superpower summit in June 1990 was set. The Soviet concessions on Start persuaded President Bush to instruct his negotiators – perhaps ambitiously – to try for agreement in principle by June.

In Moscow last week, the US proposed new initiatives aimed at bridging differences, and progress was made. The most important advance was a common agreement that sea-launched cruise missiles – which are difficult to track and verify – should be treated separately from a Start treaty.

In general, the Soviets seem eager to gain the trust, and even the approval, of the Americans.

On Wednesday night and on Friday morning, top Soviet officials not only raised with the Americans such issues as economic reform, devolving more authority to the republics in a new federal structure, and the momentous vote by the Communist Party central committee to abandon its 70-year-old monopoly on power. Mr Shevardnadze told Mr Baker that it was vital to strengthen the executive branch of the Soviet system, including the expansion of the powers of the presidency.

Mr Baker lent legitimacy to Mr Gorbachev's reform effort by agreeing to testify before the foreign affairs committee of the Supreme Soviet on Saturday, the first US Secretary of State to appear before a body which only a year ago was seen as a rubber stamp for the party.

And as a human rights questioner on Friday night discovered, Mr Baker's political nose remains as sensitive as ever. Having realised that he had still to deliver a satisfactory answer on refuseniks, he revealed – with a glance at the smiling Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, seated before him – that the US had indeed presented some names to the Soviets along with emigration requests. The conservative flank was covered.

Bush gets opportunity to help perestroika

By Nancy Dunne in Washington

US-SOVIET trade talks due to open today in Washington give concrete foundation to President George Bush's oft-expressed desire to "see perestroika succeed".

The trade and investment treaties to be negotiated are expected to provide stability in a relationship which the US *has often sought* to use as a political weapon.

As contemplated by Mrs Carla Hills, the US Trade Representative who has been given responsibility for the negotiations in the trade treaty talks, the US will offer to waive the Jackson-Vanik *amendment*, which ties Soviet immigration levels to Most Favoured Nation treatment.

Mrs Hills will seek protection for American patents, copyrights and other intellectual property; arrangements for the settlement of commercial disputes and permission *for trade promotion.*

Her objective, she told the Senate finance committee last week is to encourage economic reform within the Soviet Union "as it moves toward a more market-driven economy".

The negotiators will also thrash out safeguard arrange*ments to prevent sudden* surges of Soviet imports. It is believed that the US will insist on a provision allowing President Bush to curb imports thought to be subsidised or sold in the US at less than fair market value.

Mrs Hills will seek rights for US companies to: select their own commercial representatives; conduct market studies and advertise; warehouse an adequate stock of samples and replacement parts; not to be subject to government-mandated barter or counter-trade.

Although many in Congress have been urging closer trade ties, treaties cannot expect automatic approval. The powerful Senator Lloyd Bentsen, chairman of the finance committee, last week expressed his anger at not being advised by Bush officials before the President proposed the trade talks at the Malta summit.

"If the Nixon administration had consulted with Congress ... I don't think the Bush administration would have the kind of limitations it has on it now," he said.

President Nixon signed a trade agreement with the Soviets in 1972, but it was never ratified. The Soviet Union abandoned the effort after Congress passed the Jackson-Vanik amendment and curbed export finance. According to Mr Eugene Milosh, president of the American Association of Exporters and Importers, the trade agreement was "a bad deal" for the Soviet Union because it required them to repay $750m (£444m) in lend-lease debts in exchange for limited credits.

Although the treaties are not expected to produce an immediate surge in sales, they will lay a legal basis for lucrative ties.

COMMENTARY

Post-war history on track for a new era

By Ian Davidson in Moscow

IF THERE remained any lingering doubts that we are entering a new phase of post-war history, they were dispelled during this past week by three major events in quick succession in Moscow.

On Wednesday, after three days of fierce debate, the Soviet Communist Party overturned 70 years' of revolutionary history by renouncing its constitutional monopoly of political power.

On Friday, the US and Soviet governments cleared the ground for a clutch of sweeping arms control agreements which will be settled at their June summit in the US. And on Saturday, President Gorbachev and Chancellor Helmut *Kohl agreed the principles to* govern the reunification of the two Germanys.

By any standard, this is an extraordinary sequence. But what really underlines the dramatic novelty of the present situation, is the relative importance of the three events. A year or two ago, *the virtual* settlement of a deal to cut superpower strategic nuclear weapons by 50 per cent, and their chemical weapons by 80 per cent, would have been certain to dominate the international headlines.

No longer. The rapprochement between the superpowers, and the ending of the Cold War between east and west, have made such extraordinary progress, that there is a tendency to take them for granted. The prospective slashing of nuclear weapons arsenals is of course a major inno*vation, but it is starting to be* relegated to the status of a largely technical question.

In purely historic terms, the Soviet Communist Party's abdication of its monopoly of power is perhaps the most striking innovation. The Soviet Union is entering a reverse *revolutionary phase*, in which much or all of the communist party's so-called achievements are quite likely to be undone in short order.

The problem is that no-one has the faintest idea whether this reverse revolutionary phase will be fast or slow, whether it will lead uphill or downhill, whether the end of the road will be pluralistic democracy, nationalistic disintegration, or some kind of authoritarian backlash. In short, we do not really know what these events mean.

The reunification of the two Germanys, by contrast, will be certain, it will be soon, and it will be clear-cut. And whereas the 50 per cent reduction in strategic nuclear weapons isin some sense an ambiguous event, because it will still leave the superpowers with more than enough warheads to destroy the world many times over, the reunification of Germany opens a new chapter in *European strategic history.*

The most remarkable feature of Saturday's meeting between President Gorbachev and Chancellor Kohl, was that the Soviet leader gave the German Government virtually carte blanche to engage in reunification on any terms that could be *agreed with East Berlin.*

The two leaders agreed that reunification must take account of the interests of the rest of Europe, including those of the Soviet Union. But the key sentence in the joint statement issued after the talks was sweeping indeed: "Germans *themselves should make their* choice in what state forms, what periods, at what pace and under what conditions they will be realising their unity."

Considering the experience of the Soviet Union during the Second World War, with more than 20m dead, this statement is a remarkable tribute to the democratic record of the Federal Republic in the past 45 years.

During the plenary session of the Central Committee at the start of the week, several delegates warned against the dangerous consequences of *German reunification.*

In an ideal world, the Soviets would prefer the principle of German reunification to be subject to the existing rights in the divided Germany of the four powers who emerged victorious from the Second World War then to be decided at the *35-nation European summit* scheduled for later this year.

After his talks with Mr Gorbachev, Chancellor Kohl made clear that he expected to reach an agreement on reunification shortly after next month's election in East Germany, and to take that agreement to the *European summit.* There would be discussions with the four powers, he said, but the way he said it implied that this would be almost a courtesy, merely to enable them to wind up their residual limitations on German sovereignty.

East Germans learn to live with language of collapse

The country is in political limbo, writes David Goodhart

THE millions of East Germans who rose early this morning and took the usual bus or tram to work, through bustling streets with well-stocked shops, might be surprised to learn that their society is on the point of collapse. Yet assertions of chaos and collapse are now the daily language of the Western media and political establishment.

The East German (GDR) economy is certainly in a mess. More important, the country is politically and psychologically in limbo. The old order, even in a new democratic form, has lost the will to live, and the new order is waiting on next month's free elections and the re-unification expected months thereafter.

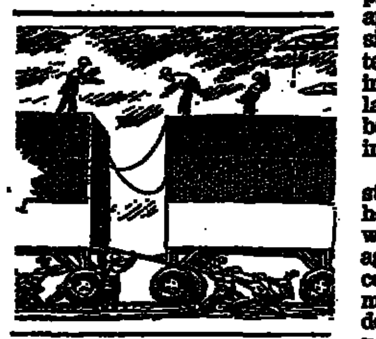
Both the old Communist élite and the intellectuals who gave expression to October's *"peaceful revolution", and who* wanted a better sort of socialism, feel defeated. Ordinary people are also demoralised by the new official honesty about the state of their country and by the easier comparison with life in West Germany.

Fear now mixes in equal *quantity with hope. Fear that* a political vacuum will strengthen the far right, fear that currency union will wipe out savings, fear, above all, of inability to compete in a re-unified country. "Older office workers, like me, will be out of a job, we can't use computers," says Gelinda Dannegger from Leipzig. West Germany is viewed with both gratitude and resentment, the market system is coming both too fast and not fast enough. Even in the countryside, where life has been barely touched by the revolution, they fear re-possession of *the land by former owners.*

Yet, considering this uncertainty, life continues with eerie normality; people go to work, public transport operates, there is no shortage of food. So why is West Germany talking up the crisis, with potentially self-fulfilling effects?

Mr Heiner Flassbeck, of the West-Berlin based DIW economic institute, claims: "Politicians in Bonn are over-stating the extent of dislocation to justify speeding up unification. You could also speculate that some people want to create the conditions to buy up the GDR *on the cheap."*

The DIW's own report on the GDR economy is pessimistic, and criticises the provisional government for being more enthusiastic about the theory of the market economy than the practice, but stresses that



ROAD TO UNITY

"basic needs are not threatened".

The theory of a West German de-stabilisation campaign is, however, difficult to sustain in view of the fact that so many GDR officials (and to some extent the GDR news media) also speak the language *of collapse.*

Mr Hans Modrow, the Prime Minister, has painted an extremely gloomy picture to justify bringing forward the elections from May to March (to secure an overwhelming victory for the GDR Social Democrats, speculate conservative West German analysts). And now, in old-fashioned Stalinist style, his thoughts are echoed – sometimes with a little exaggeration – by the ranks of GDR officials, economists and managers, and happily plagiarised in Bonn.

What, then, does the reality *appear to be? Industrial pro*duction is expected to fall by 5 per cent this year, partly as a result of the continued outflow of workers (still about 2,000 a day) and partly because of disruption to supply caused by the abandonment of planning.

Mr Siegfried Leubuscher, boss of a *plant-building group* in Leipzig, explains: "We have severe delivery problems in some areas such as pumps and electronic parts because our suppliers are now free to divert production for export."

He welcomes monetary union but warns that unless GDR workers accept D-mark wages of perhaps one-third the West German level it will create massive unemployment. "Whole areas of industry where we will never be competitive will in any case have to close," he says.

He adds that it is doomed industries – such as consumer electronics – where there are already some labour discipline problems. But, like other managers, he admitted to no such problems in his own plants, apart from a slight increase in sick leave. Mr Manfred Schuster, manager of a Leipzig building group, even reported that labour discipline was better because of the new fear of losing a job.

There have been a few strikes but these last only hours. More serious, to placate workers, the Government has agreed to wage rises this year costing about 5bn East German marks – adding to its national debt of at least $20bn – and is now having to introduce unemployment benefit for the 100,000 newly jobless. About 10,000 of the latter are out of *work because their plants have* been closed on pollution grounds.

Over-manning in some industries is so great, according to one economist, that the labour outflow is having little effect, but it has increased problems in the transport and *health sectors, only partly alle*viated by the deployment of 12,000 soldiers in the public services. About 10 per cent of all doctors are estimated to have left for West Germany.

The spiral is inevitably downward as more people leave the country; according to a *GDR opinion poll* only 62 per cent of the population say they will under no circumstances leave, a drop from 84 per cent last November. The young realise they will have to wait 10 years for West German wealth, even with re-unification.

But talk of collapse under*estimates how bad the situa*tion was even before the present limbo. An East Berlin doctor, for example, complains that medical practice in most fields in the GDR has always been "primitive" compared with West Germany. And the rail system has been notori*ously poor. Doomsday scenar*ios also fail to appreciate the extent of regional differences in the GDR.

If chaos exists anywhere it is in the political sphere. "We've now got 18 parties standing against one another and they all support unity and a social market economy; no wonder people are confused," said one government official. To people, and especially 16m Germans drilled in Stalinist order, the messy transition to democracy must, indeed, feel a bit like chaos.

Romania seeks stability in run-up to election

Bucharest: The new provisional Council for National Unity which held its first stormy and bitter session at the weekend will attempt to maintain stability and consensus as the country prepares for elections in May, Judy Dempsey reports.

However, the CNU which plays the role of a caretaker parliament, will remain dominated by the old Front for National Salvation despite desperate attempts by the opposition to curb the Front's powerful influence. Although the FNS is now dissolved in name, its role as a political party is likely to shape the tone of the election campaign. Elections are scheduled for May 20. The council of the Front now holds 111 of the 253 seats on the CNU. The rest of the seats are divided between 37 political parties, nine minorities and a group of ex-political prisoners.

European airlines buoyant

London: The 21 European carriers in the Association of European Airlines enjoyed a buoyant year in 1989, Paul Abrahams reports.

Members of the AEA increased the number of passengers they carried last year by seven million to more than 100 million, representing a growth rate of 7.7 per cent. At the same time, the airlines' load factors – an important indication of profitability – improved.

Turkish pit unions urge protests

Ankara: Turkey's two coal mining unions have called for work stoppages and demonstrations countrywide in the wake of last *week's mine disaster in protest at deficient safety precautions* in the industry, Jim Bodgener reports.

Four senior company officials at the pit near Merzifon, Northern Turkey will be tried for negligence. More than 60 miners, most trapped by a gas explosion and spreading fire, are feared to have perished last Wednesday.

Air France strike takes hold

Paris: A 48-hour strike by French pilots and flight technicians demanding more staff and better pay forced Air France to cancel some medium-haul flights yesterday, Reuter reports.

EC steps up initiative on harmonising corporate tax

A FRESH impetus to the European Commission's long-standing plans to bring corporate taxation into line is expected to be given today by Mrs Christiane Scrivener, EC commissioner in charge of taxation, writes Lucy Kellaway in Brussels.

She will tell economic and finance ministers from the Twelve to try again to reach agreement on three directives on company taxation; two have been held up for over 20 years.

The directive would establish a common system of taxes for cross-border mergers, set a common rate of tax on parent companies and subsidiaries in different countries and eliminate double taxation in transfers of profits between a company and its subsidiaries.

The measures, always popular among European companies and most member states, have been stuck on a veto from West Germany. Some member states, however, were sceptical whether the new determination from the Commission would help push through the measures.

Distributive Trades Survey indicates January retail sales remained buoyant

High consumer spending defies expectations

By Rachel Johnson

CONSUMER spending showed remarkable buoyancy in January against expectations, according to the latest CBI/Financial Times distributive trades survey.

The survey gives an early warning that retail sales figures for January, published by the Central Statistical Office later today, may fail to show the slowdown in consumer spending widely expected in the City of London.

The City consensus was that January sales volumes would dip 1.5 per cent compared to December's rise of 2.2 per cent – a surge in spending the City saw as a one-off consequence of last-minute Christmas shopping.

With 65 per cent of retailers reporting sales higher this January than last, the survey appears to offer the Government little evidence of the reduced demand in the economy necessary to bring down inflation.

In December, a month which turned out unexpectedly well for retailers, 50 per cent reported higher sales than the previous year.

Expectations for next month's sales volumes show continuing confidence that high interest rates will not deter high street spending.

The CBI, the employers' association, said however that the survey indicated that the rate of sales growth was not expected to persist at such speed during this month.

Mr Nigel Whittaker, chairman of the survey panel, said: "At the end of last year, retailers were not expecting annual sales growth to pick up in January.

However, consumers may have seized the opportunity to make major purchases in the New Year sales."

Mr Whittaker attributed much of the unexpected boost to heavy purchases of low-ticket items. Chemists and food shops continued to report "substantial sales increases."

The same bright picture for retailers is not, however, painted for the wholesale trade, which reported lower sales in January for the first time on record.

Both wholesalers' and motor traders' orders to suppliers fell on the year, while 49 per cent of the latter complained that stock volumes were still too high.

Buoyant January sales, Page 6

Labour Party steps up battle over community charge

By Philip Stephens, Political Editor

THE OPPOSITION Labour Party will today seek to step up its attack on the community charge or poll tax after a pledge yesterday by Mr Neil Kinnock that a government under his leadership would replace it with a system that was simpler and fairer.

Mr David Blunkett, Labour's local government spokesman, intends to write to Mr Chris Patten, Environment Secretary, demanding immediate publication of the criteria under which the Government intends to limit the spending of councils which set poll tax levels well above those recommended by his department.

The poll tax is to take the place of the domestic rates system, which taxes property owners for the cost of community services. Under the new scheme all those aged 18 or over will be obliged to pay the community charge.

Meanwhile ministers maintained their onslaught on Labour's proposals, using an opportunity to deflect attention from the Government's own plans.

Mr David Hunt, Local Government Minister, described the Labour alternative as the "gaffe of all time", in which private, financial information would be disclosed to socialist councils.

Mr Michael Howard, Employment Secretary, said Labour's plans for business rates would enable councils to tax businesses without limit and to crush the revival of British industry.

Mr Blunkett's letter will follow the publication by Labour, during its weekend local government conference in Cardiff, of a list of 21 Conservative-controlled authorities whose poll tax levels will far exceed the Government's original estimates.

The list shows that the councils plan to set their charges at between 30 and 65 per cent above the Environment Department's recommended levels.

The figures appear to confirm that the Government's figure of £278, as the average level of the poll tax in England and Wales when it is introduced in April, is a significant under-estimate.

Yesterday Mr Kinnock sought to deflect mounting Government attacks on Labour's poll tax alternative by saying he would not be rushed into publishing the fine print of his plans.

For Labour, the most important thing in the development of its proposals was not speed but "fairness, efficiency, cheapness in administration, and equity in operation," he added.

Labour's alternative will be based on property values and linked to an individual's ability to pay.

Nuclear fuels company begins discussions on 35-hour week

By Michael Smith, Labour Correspondent

BRITISH NUCLEAR FUELS (BNFL) has begun talks with union leaders on the feasibility of introducing a 35-hour week for all 15,600 employees, including manual workers.

Discussions are at an early stage but union leaders say considerable progress is being made and that the company has indicated a willingness to agree a 35-hour week provided it can negotiate a self-financing deal.

If agreement can be reached, BNFL employees would enjoy a shorter working week than virtually all other workers in Britain.

The standard working week among UK manual workers is normally 39 hours, although about 30 engineering companies have recently conceded the principle of a 37-hour week following a strikes campaign by engineering unions.

Among office workers in industry the norm is 37 or 37½ hours, although some financial services employees work 35 hours. At BNFL, both office and manual staff work 37-hour weeks.

BNFL refuses to comment in detail on the negotiations. One union official said, however, that in spite of the company's initial reluctance to open talks it now appeared to see negotiations as an opportunity to win productivity concessions it had been seeking for some years.

BNFL was looking to re-organise working patterns and to achieve more flexible working.

Union leaders believe agreement is close on flexitime workers and on other problems relating to the day workers. A more significant hurdle is presented by the company's desire to change shift working patterns. The company wants shift workers to work five or six shifts in a row, rather than the present four.

Government relaxes training rules

By Lisa Wood, Labour Staff

PRESSURE from industry has persuaded the Government to relax the operating rules for the new employer-led councils which will control the delivery of publicly-funded training including Youth and Employment Training.

Changes include 15 per cent of the Government's £1.2bn budget for Employment Training being available for new categories of trainees such as women returning to the labour market. They will continue to be trained even if they find jobs.

The changes are given in final operational guidelines to the Government's 82 Training and Enterprise Councils which later this year will take over responsibility for vocational training from the Government's Training Agency.

The boards of the new TECs have a majority of local business leaders, and it is pressure from these boards which persuaded the Government to make the national rules more flexible.

At a meeting in December chairmen of the TEC boards told the Government that they did not want the role of rubber stamping training initiatives that were being inherited from the Training Agency.

Mr Michael Howard, Employment Secretary, acknowledged the concerns of chairmen in a letter to TECs outlining the operational guidelines.

"TECs will be given challenging targets for training and enterprise, but our aim is to give as much freedom as possible to how these targets are met so that TECs can operate flexibly and effectively," he said

Mr Howard said Youth Training – the successor to the Youth Training Scheme – would no longer have a fixed training duration. The length would be determined by trainees' needs and the qualification aimed for.

Union chief challenged on election suspension

By John Gapper, Labour Editor

MR RON Todd, general secretary of the Transport and General Workers' Union, is expected to be challenged this week by members of his executive over his suspension of national elections following suspicions of ballot-rigging.

Right-wing members of the union's national executive said yesterday they were dissatisfied with Mr Todd's initiative, and wanted an independent inquiry into how at least 2,500 ballot papers disappeared from the union's headquarters.

Both the left and right wing factions taking part in the national postal ballot to elect a new union executive, expressed confidence that they would have won a majority in the ballot if it had not been suspended.

The election is now to be re-run starting this Friday and ending on March 26. The result will determine whether the left loses a 21 to 18 majority on the executive of what is the biggest union in the country, with 1.3m members.

Right-wing members of the executive believe the ballot papers involved were used to vote for left-wing candidates in some of the union's 11 regions and 14 trade groups where they were thought likely to lose to right-wingers.

However, left-wingers involved in the election campaign believe they had retained an overall majority.

Control of the TGWU's executive is politically important because of the union's large block vote within the Labour Party.

Mr Ivor Braggins, a right-wing executive member, said that he would seek more information from Mr Todd this morning. He said he wanted an independent investigation into the affair, instead of an internal inquiry.

Other right-wingers are considering asking the police to investigate, or mounting a legal challenge to the ballot suspension. However, a successful legal challenge is thought unlikely since the election scrutineer backed the decision.

UK NEWS

MMC will give report on water merger plan

By Andrew Hill

THE Monopolies and Mergers Commission is expected today to deliver to Mr Nicholas Ridley, Trade and Industry Secretary, the results of its investigation into the proposed merger of three statutory water companies near London.

They are Colne Valley, Rickmansworth and Lea Valley.

The proposals have provided a test case for the Government's restrictions on such takeovers, which allow for automatic MMC referral of mergers between water companies above a certain size.

Mr Ridley introduced the restrictions last year when he was environment secretary.

To add to the sensitivity of the issue, the companies have the backing of France's largest water supplier, Compagnie Générale des Eaux, which already owns Lea Valley and large stakes in the two other companies.

Générale would become the largest shareholder in the merged group, to be known as Three Valleys Water Services.

Mr Ridley must decide whether to back the MMC proposals before the results can be published.

The logic for a merger is very strong, as the three companies already have firm trading links. Rejection of the plan would indicate a hard government line on other water industry takeovers.

Allowing it to go ahead, however, might prompt other companies to attempt mergers. That would reduce the number of UK water companies in an industry which is already run, via a delicately balanced regulatory system, on the basis of regional monopolies.

Colne Valley, Rickmansworth and Lea Valley supply water alongside Thames Water. They announced the plan to merge at the end of July.

If successful, Three Valleys would probably become the UK's seventh-largest water supplier – larger than four of the recently privatised former water authorities, which are protected from takeover by government "golden shares."

Young Tory rally antics upstage Thatcher

By Ralph Atkins in Torquay

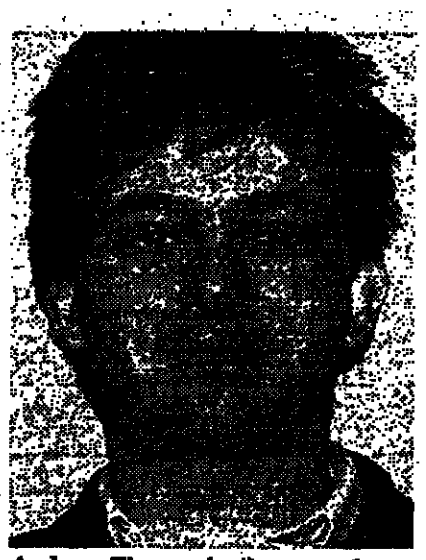
BY THE morning after the night before it was clear that Mrs Margaret Thatcher – normally deified by aspiring Tories as the greatest living statesman ever – had been upstaged at the Young Conservatives' conference at Torquay.

What got most chanting, cheering and passion from Britain's future Tory leaders was not the Prime Minister's question-and-answer session on Saturday. It was the hour-long election hustings on Sunday morning. The greatest theatre was not in the conference hall but at US-style campaign rallies, drunken discos and at the ball-gown and black-tie conference ball. It was the Playtime and Party Party.

This year saw an attempt at a damage limitation exercise by Conservative Central Office. The aim was to stop the loutish behaviour, division and headline-grabbing extremism that has marred previous conferences.

Set debates were stage-managed with the aid of Mr Harvey Thomas, mastermind behind the orderly flag-waving and standing ovations at national jamborees. Central office troops acted as minders. The programme was swamped with Cabinet Ministers' speeches to deflect attention.

The operation, however, was only partly successful. There were no embarrassing outrages and the police reported a quiet Saturday night. But the colourful in-fighting that has split the Young Conservatives and might threaten its future continued unabated.



Andrew Tinney: in the ascendancy

The dispute, for aficionados, centres on two factions. In the ascendancy is "The Right Team," led by YC chairman Mr Andrew Tinney, a 25-year-old accountant from Woking. The campaign is slick, brash and centred on Mr Tinney himself, surrounded by up to eight managers equiped with portable phones. On Saturday evening – after Mrs Thatcher had left – the walkie-talkies were inaudible at the night-club venue for The Right Team rally.

Under disco lights and to the pounding beat, sharp suits shuffled with silky skirts. When the loudspeakers broke into Fanfare for a Common Man, Mr Tinney, surrounded by an eight-strong formation dancing team with "The Right Team" T-shirts, made his entrance.

Later at the conference ball, where no Cabinet minister would dare to strut, Andrew Tinney stickers and badges littered the floor. Last year The Right Team won the chairmanship. This time it hoped to take the four vice-chairmanships.

Any hint of wetness is jeered. Some fear that the extreme Federation of Conservative Students, disbanded in disgrace in 1986, has re-emerged in a different form.

Arch-rival to Mr Tinney is Mr Laurence Harris, a 24-year-old trainee solicitor, representing a more moderate wing and standing to be next year's chairman. He believes harsh realities have to be faced. Mr Tinney, he says "is all into self-promotion."

Mr Harris wants the organisation restructured to reverse falls in membership (a trend the Tinney camp believes has been halted). "The conference is half dead and the reason why it has died is that the organisation is in decline," Mr Harris says.

Rivalry between the two factions is deadly. Mr Harris was booed when he chaired the conference. Mr Tinney was accused of raising massive campaign funds from dubious sources.

Journalists need not dig for slurs and innuendo – both sides present it in press releases.

The election hustings session was marked by slow handclapping, stormy protests, angry speeches, hissing and booing – all in rich quantities.

Mrs Thatcher and her Cabinet colleagues appeared to look on the YCs with the eyes of bemused parents who believe they should control their offspring but are not sure how. The Prime Minister was patronising. "I'm afraid you are asking such deep questions that each of them is taking up a little speech of their own," she said as she fended off questions about local government finance.

Mr Kenneth Baker, national party chairman, told his audience "your task – and your only task – is to go out together and fight socialism."

At the end of the conference, Mr Tinney declared the Young Conservatives had been turned around. Delegates stood and sung that National Anthem. Above them the conference slogan read "Conservative Youth – Britain's future." Well, maybe.

N-power backed to slow global warming

By John Hunt, Environment Correspondent

A BIG increase in the electricity generated from nuclear power would offset the greenhouse effect, the Atomic Energy Authority (AEA) said yesterday.

Mr John Collier, chairman of the authority, said the amount of electricity produced from nuclear power in industrialised countries should be raised to 50 per cent of the supply in the next 30 years. The present UK level is 16 per cent.

A policy paper is being sent to the Department of Energy so that AEA views can be taken into account in the white paper on the environment which the Government will publish later this year. A pamphlet about nuclear power and the greenhouse effect is being sent by the AEA to all senior schools, MPs, and the top 500 companies in the UK.

Projections are for nuclear power to provide 21 per cent of electricity generation by the year 2020. But, says the document, increasing the nuclear share to the "ambitious target" of 50 per cent would reduce energy-generated carbon dioxide emissions by 30 per cent of what they would otherwise have been.

Mr Collier said nuclear power, together with hydro power and renewable energy sources such as wind and wave power, must be the way ahead. Clean, efficient electricity must have an increasing role to play.

"All the evidence is that global warming is happening and is slowly changing our world," Mr Collier said in the pamphlet.

"We must reassess all our energy priorities and policies, particularly with fossil fuel power stations pumping out millions of tonnes of carbon dioxide and other greenhouse gases each year."

The policy paper says the substitution of natural gas for "dirty" fuels such as coal offered an immediate but limited benefit. Significant reduction of fossil fuel emissions would require marked increases in the use of gas. Even at present consumption levels, proven gas reserves would only last 60 years.

The immediate priority was to save energy and set the shape of 21st-century power generation by developing the full potential of proven nuclear, hydro and renewable technology.

Nuclear energy already saved the emission of about 1.7bn tonnes of carbon dioxide annually. Carbon dioxide would be further reduced if a larger share of electricity was generated by nuclear stations displacing those using coal and oil. More nuclear-generated electricity should be used for railways and heavy industry such as steelmaking.

The document says: "The rapid expansion of nuclear power in France illustrates well the impressive reduction in carbon dioxide emissions that is achievable."

Two bodies discovered in Ulster

POLICE ordered post mortems yesterday on the bodies of two men found in Northern Ireland. One was discovered near Newry, Co Down, and the other on the Cavehill, which overlooks Belfast.

A booby-trap car bomb containing 1 lb of Semtex was made safe after a four-and-a-half-hour operation at Portrush, Co Antrim.

The Royal Ulster Constabulary said the vehicle belonged to a local man who had no connection with the security forces.

In the Loyalist Shankill Road area of West Belfast a police Land Rover was fired on during the night. The incident followed a spate of bomb hoaxes and vehicle hijackings in the city yesterday.

The security forces believe the unrest was directly linked to the arrest of Ulster Defence Association members from the area who have been charged with offences by the Stevens inquiry team investigating alleged leaks from the security services to Loyalist paramilitaries.

● The RUC has set up a committee to take responsibility for all large-scale policy decisions, Our Belfast Correspondent writes.

Mr Hugh Annesley, chief constable, outlined the changes in a strategy document published yesterday. It is thought to be the first of its type produced by the force.

Mr Annesley said: "There can be little doubt that community support for the police is the wedge that isolates the terrorist from society and we must strive to reinforce this."

The aims are to give the force a more corporate identity, improve consistency in decision-making and streamline administration.

● A Royal Marine who shot a comrade dead while in action in Northern Ireland will not be prosecuted, it was disclosed yesterday.

The shooting happened last June when a patrol tried to stop a suspect car in Belfast. Mr Adam Gilbert, of 42 Commando, based in Plymouth, Devon, was hit in crossfire by an unnamed colleague.

An inquest into the death of Marine Gilbert, 21, of Fleet, Hants, will now be held.

Companies likely to fail in E Europe, survey says

By Michael Skapinker

MANAGERS with experience of working in Eastern Europe believe British companies lack the skill and foresight to succeed there, according to a survey carried out by Merton Associates, an executive search company.

The survey of 200 managers found that 82 per cent believed that British companies were showing insufficient initiative in setting up joint ventures in Eastern Europe.

Two thirds said they did not believe British companies knew enough about the Soviet Union and other Eastern European countries.

All those interviewed had worked in Eastern Europe either on a full-time or occasional basis. All are fluent in Russian or another Eastern European language.

They said the country most likely to succeed in Eastern Europe was West Germany because of its superior management, greater entrepreneurial foresight, longer-term outlook, and geographical proximity.

The managers interviewed thought that French, Italian, American, Japanese, Finnish and South Korean companies were all more likely to succeed in Eastern Europe than their British counterparts.

UK Management Attitudes to Working in the Eastern Bloc and the USSR. Merton Associates, Grafton House, 70 Grafton Way, London W1P 5LE. Free.

Growth forecast static for electronic components

By Michael Skapinker

THE UK electronic components market is expected to show no growth this year as a result of falling defence and telecommunications orders, according to the Electronic Components Industry Federation.

Next year, though, it reckons the market will pick up on the back of an expected strong recovery in the automotive, consumer and data-processing sectors. Prospects for recovery in telecommunications are less certain and the defence sector is expected to show little growth next year.

The federation says that the UK electronic components market grew by 16 per cent in the first half of 1989. Slower growth in the second half, however, meant that growth for the year as a whole was limited to an estimated 8 per cent.

The lower growth in the second half of the year was largely the result of a fall in the price of computer chips.

Central Statistical Office data show that the users of components also had a relatively poor year in 1989. UK electronic equipment manufacture grew 7.5 per cent in the first half of 1989.

The equivalent growth rate for the first half of 1988 over 1987 was 15.2 per cent. A further fall in the second half of 1989 resulted in overall growth for the year of an estimated 5 per cent.

Forecasters warn of Budget conflicts

By Terry Byland

MR JOHN MAJOR, the Chancellor, faces difficult decisions between conflicting recessionary and inflationary pressures as he prepares his Budget, according to Oxford Economic Forecasting, an independent forecasting group.

The danger of pushing the economy into recession may restrain him from tightening policy as much as he might wish in what will be his first Budget, yet inflationary pressures will still be strong enough to rule out more than a 1-point cut in domestic base rates this year, the group believes.

Describing the present financial position of many British companies as "precarious", OEF points out that a deflationary budget might cause them to reduce both stocks and investment.

To take too much out of the economy at this stage risks turning the present economic slowdown into a "full-fledged recession, the effects of which might not have worn off in time for an election in 1992."

Infrastructure work offers hope for building

By Andrew Taylor, Construction Correspondent

INCREASED investment in infrastructure, particularly in roads and water facilities, is likely to provide one of the few pieces of good news in a generally depressed outlook for British construction over the next 12 months, according to a survey published today.

The Federation of Civil Engineering Contractors, which last month questioned more than 150 companies about the state of their order books, said it had been encouraged by reports of a significant increase in invitations to tender for work.

There had also been a rise in the number of companies reporting increases in order books over the last six months. More than a third of companies had reported an increase in workloads.

Almost 40 per cent said order books had risen during the past 12 months. "Looking further ahead, the percentage of firms expecting a rise in orders for new work has risen to its highest level since October 1988," the federation said. However, it said it was disappointed that there had been little improvement in profit margins.

Investment in infrastructure is increasing as other areas of construction are facing a downturn. UK construction output this year is expected to fall for the first time since 1981 as the recession in house building, brought on by high interest rates, is expected to spread to the commercial market.

The federation said that availability of labour, materials and equipment which had been causing difficulties had improved.

CBI/FT DISTRIBUTIVE TRADES SURVEY

Buoyant sales in January for retailers but gloom for wholesalers

By Rachel Johnson

SALES VOLUMES were especially buoyant in January, in spite of pessimism among Britain's retailers, according to the latest Confederation of British Industry/Financial Times distributive trades survey.

In contrast to the acceleration in retail sales, wholesalers reported that, for the first time, sales were lower than in the previous January.

For the first time since last March wholesalers' orders from suppliers were lower than a year earlier.

The slightly bleaker conditions for wholesalers were shared by the motor trades, according to the survey, which polled 502 companies in the retail, wholesale and motor sectors between January 15 and February 2 this year.

For the ninth month in succession motor traders said they sold less in January than a year ago and expected sales to fall below last year's levels again in February.

Taken together, the results point to a remarkable January for retailers. Of the 293 questioned, 65 per cent said that sales volumes were higher than a year earlier, while 15 per cent said they were lower.

The difference between the two, which gives a guide to the trend, was a positive balance of 50 per cent – showing that December's 30 per cent positive balance was not an isolated incident.

The balance of +50 per cent was far bigger than the balance of +11 per cent of traders who had said they expected a sales increase last month.

In January, a balance of +27 per cent of retailers reported good sales compared with +13 per cent in December, with chemists, specialist food, confectionery, tobacco and newspapers reporting the best increases. As well as sales volumes, orders placed by retailers grew in January, with a balance of +25 per cent ordering more than a year ago.

However, stocks continued to be run down compared with November's high levels.

The 156 wholesaling respondents had a less successful January, with a balance of −3 per cent reporting higher sales. December's picture had been much brighter, with a balance of +22 per cent reporting improved sales.

More wholesalers reported poor rather than good sales, while an overwhelming number said they had an "average" month.

For the first time since March 1989, wholesalers in January placed a lower volume of orders with suppliers than a year earlier.

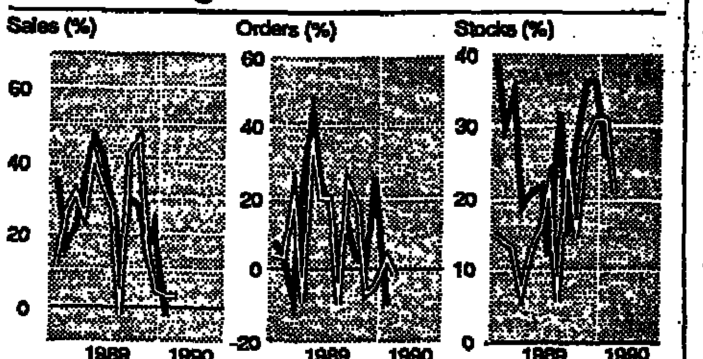
Lower ordering, relative to 1989, is also expected for February. Compared with December and November, when stocks were running high, stocks were run down in relation to expected sales.

In the motor trades sector, a 20 per cent of traders reported lower sales in January compared with the previous year, and 12 per cent expected sluggish sales also to dominate February.

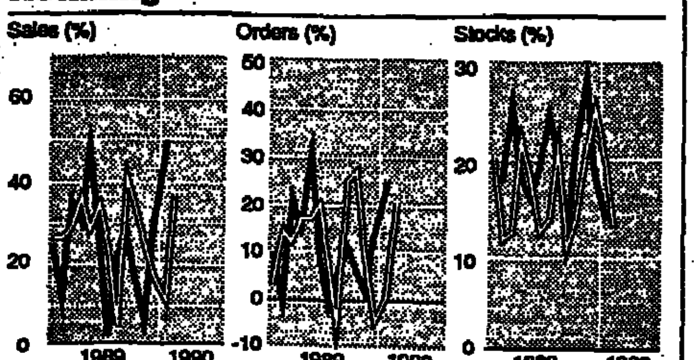
The same picture of lower volumes, and lower expectations, prevails on the supply side. In January, a balance of +20 per cent of traders followed the pattern of recent surveys to place smaller orders in January. They anticipate low ordering again this month.

Stock levels in relation to expected sales were excessive – with 49 per cent reporting them too high. However, stocks had fallen a little from December's levels, when a record 50 per cent indicated excessive stocks.

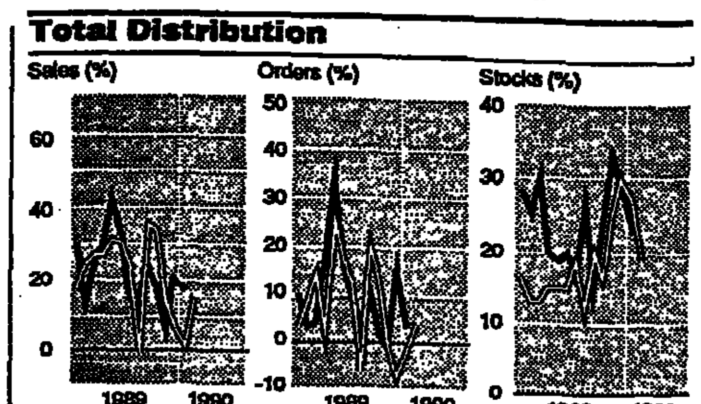
Wholesaling



Retailing



Total Distribution



Notice of Redemption

to the holders of

International Standard Electric Corporation

12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that $10,954,000 principal amount has been selected by the Trustee for Redemption on 15th March, 1990 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

(Continued on the following page.)

(Continued from the preceding page.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
53975	58603	60209	61692	63285	64767	65965	67177	68325	69536	70855	72058	73300	74455
53990	58618	60216	61693	63297	64768	65967	67197	68331	69547	70859	72063	73302	74471
54000	58621	60221	61706	63302	64774	65971	67199	68335	69554	70870	72068	73307	74476
54001	58626	60230	61710	63303	64779	65975	67203	68353	69560	70871	72077	73308	74484
54006	58639	60246	61714	63308	64782	65981	67211	68355	69561	70874	72084	73311	74493
54007	58643	60248	61717	63311	64785	65985	67213	68360	69565	70880	72094	73316	74504
54028	58648	60254	61719	63314	64803	65988	67217	68364	69566	70887	72106	73317	74506
54031	58650	60257	61721	63317	64806	65989	67236	68372	69577	70890	72122	73321	74508
54039	58652	60268	61724	63318	64811	65995	67264	68381	69581	70904	72124	73329	74509
54052	58656	60276	61726	63321	64825	65998	67272	68385	69595	70916	72181	73330	74529
54057	58662	60282	61736	63327	64836	66004	67274	68387	69608	70919	72187	73356	74532
54061	58665	60286	61740	63335	64838	66017	67283	68388	69634	70924	72191	73357	74550
54073	58675	60290	61757	63343	64844	66025	67300	68396	69644	70929	72192	73359	74553
54084	58677	60302	61792	63351	64847	66028	67302	68400	69646	70936	72205	73360	74557
54085	58692	60322	61793	63362	64851	66029	67303	68416	69649	70941	72212	73364	74560
54089	58698	60326	61794	63384	64852	66036	67308	68420	69655	70943	72214	73367	74561
54092	58704	60328	61795	63386	64853	66039	67309	68422	69657	70947	72221	73375	74568
54097	58707	60332	61797	63387	64859	66041	67324	68429	69666	70954	72223	73378	74570
54109	58708	60347	61807	63395	64862	66044	67326	68430	69667	70966	72230	73379	74600
54112	58716	60352	61811	63400	64869	66045	67340	68436	69685	70969	72241	73388	74603
54119	58731	60353	61814	63405	64878	66046	67343	68439	69689	70974	72250	73396	74618
54140	58732	60355	61837	63406	64879	66047	67344	68450	69692	70978	72252	73406	74623
54165	58754	60356	61869	63409	64888	66049	67347	68456	69693	71025	72261	73411	74629
54170	58786	60367	61878	63412	64894	66050	67348	68460	69694	71033	72263	73415	74632
54171	58815	60368	61879	63414	64909	66053	67357	68461	69698	71034	72265	73416	74636
54176	58817	60371	61892	63418	64922	66065	67360	68464	69699	71035	72266	73417	74637
54178	58818	60380	61898	63429	64924	66068	67364	68466	69701	71036	72278	73419	74638
54195	58823	60384	61906	63434	64926	66073	67366	68471	69705	71044	72281	73436	74639
54197	58825	60390	61919	63437	64928	66086	67374	68486	69708	71047	72283	73438	74645
54199	58826	60391	61929	63441	64937	66112	67379	68489	69711	71048	72287	73443	74649
54202	58827	60395	61931	63444	64955	66118	67383	68500	69721	71053	72288	73447	74652
54211	58840	60399	61932	63446	64959	66125	67385	68501	69723	71056	72292	73448	74654
54219	58851	60408	61937	63449	64966	66137	67390	68502	69734	71063	72300	73451	74658
54220	58864	60416	61963	63460	64969	66140	67391	68503	69735	71068	72303	73453	74661
54224	58868	60426	61969	63471	64970	66145	67393	68507	69736	71070	72306	73458	74664
54227	58872	60427	61980	63477	64993	66146	67394	68511	69775	71073	72344	73462	74665
54232	58884	60440	61983	63481	64998	66151	67396	68520	69794	71077	72350	73467	74667
54234	58885	60446	61986	63483	65003	66152	67398	68521	69795	71078	72357	73484	74670
54260	58896	60454	61988	63484	65004	66153	67405	68525	69803	71080	72370	73487	74684
54262	58897	60456	61993	63497	65006	66154	67406	68536	69817	71086	72371	73489	74687
54298	58901	60474	62003	63507	65017	66155	67408	68542	69818	71090	72372	73508	74689
54309	58914	60482	62011	63517	65023	66158	67417	68554	69822	71094	72377	73515	74699
54314	58929	60486	62013	63523	65027	66163	67422	68555	69825	71098	72378	73518	74703
54323	58940	60492	62020	63533	65030	66168	67424	68559	69830	71099	72388	73519	74711
54326	58966	60493	62024	63537	65032	66174	67430	68562	69834	71103	72392	73521	74722
54328	58977	60514	62025	63542	65033	66185	67431	68563	69835	71105	72403	73527	74727
54333	58987	60518	62028	63576	65056	66189	67434	68571	69843	71108	72405	73529	74737
54362	58995	60523	62033	63578	65061	66210	67443	68575	69848	71109	72410	73536	74739
54363	59001	60531	62035	63582	65063	66215	67454	68576	69849	71114	72412	73538	74740
54379	59010	60538	62059	63611	65071	66221	67457	68578	69856	71131	72420	73539	74744
54389	59029	60540	62062	63612	65077	66230	67462	68579	69862	71134	72423	73545	74752
57504	59032	60543	62070	63619	65093	66248	67463	68586	69863	71138	72432	73552	74758
57509	59036	60545	62071	63630	65107	66258	67468	68588	69867	71141	72433	73565	74763
57513	59041	60547	62099	63634	65116	66259	67469	68606	69868	71153	72446	73566	74769
57519	59046	60563	62105	63636	65118	66266	67484	68609	69870	71156	72455	73569	74772
57528	59057	60568	62110	63637	65123	66273	67485	68614	69874	71160	72461	73574	74778
57537	59072	60575	62133	63638	65128	66276	67494	68617	69881	71163	72462	73577	74787
57540	59096	60584	62136	63647	65145	66283	67498	68619	69883	71164	72464	73585	74790
57549	59115	60591	62144	63648	65151	66286	67502	68622	69886	71172	72467	73600	74793
57558	59118	60596	62161	63653	65156	66306	67510	68630	69892	71181	72477	73605	74796
57579	59127	60599	62167	63657	65160	66310	67513	68635	69893	71191	72485	73614	74803
57588	59140	60612	62178	63665	65161	66312	67514	68636	69898	71199	72488	73634	74809
57607	59155	60617	62197	63669	65169	66313	67515	68638	69901	71202	72501	73636	74822
57614	59167	60619	62217	63679	65171	66320	67519	68639	69902	71215	72526	73638	74823
57618	59180	60630	62220	63682	65179	66325	67525	68641	69917	71238	72528	73639	74827
57621	59181	60634	62230	63711	65187	66327	67532	68648	69918	71247	72534	73658	74840
57624	59195	60642	62237	63716	65190	66331	67533	68658	69920	71248	72536	73664	74849
57625	59218	60647	62245	63723	65191	66335	67540	68661	69921	71253	72537	73666	74852
57632	59221	60650	62249	63729	65200	66338	67543	68680	69927	71256	72538	73675	74857
57635	59228	60667	62253	63734	65207	66341	67550	68683	69930	71264	72540	73682	74865
57644	59239	60668	62256	63735	65209	66351	67558	68685	69934	71268	72541	73692	74867
57649	59249	60673	62269	63744	65221	66354	67569	68686	69943	71274	72543	73697	74870
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Accordingly, on 15th March, 1990 the Bonds so designated for redemption will become due. Payment will be made upon presentation and surrender thereof of the above Bonds at one hundred per cent (100%) of the principal amount thereof in United States Dollars, at the option of the holder, subject to any applicable laws or regulations in the country where each of the following offices are located, at the City Offices of Bankers Trust Company in London, at the main office of Bankers Trust Company in Paris, at the office of Bankers Trust GmbH in Frankfurt, at the office of Banque Indosuez Belgique Brussels, (formerly Banque du Benelux S.A. Brussels), at the office of Banque Générale du Luxembourg S.A. in Luxembourg or at the office of Swiss Bank Corporation Basle.

The redeemed Bonds should be presented with all Coupons maturing after 15th March, 1990. Coupons maturing on 15th March, 1990 and prior thereto should be detached and surrendered for payment in the usual manner. From and after 15th March, 1990 interest on redeemed Bonds will cease to accrue.

International Standard Electric Corporation

By Bankers Trust Company, Trustee.

26th January, 1990

UK NEWS

Sharp drop in sales of electric blankets

By Clay Harris, Consumer Industries Editor

BRITISH consumers have switched off purchases of electric blankets because of a third mild winter in a row.

Sales last year dropped to barely 60 per cent of the 1988 figure, according to the Association of Manufacturers of Domestic Electrical Appliances. Deliveries to retailers stood at only a third of the level reached a decade previously.

Moreover, although relatively warm weather has aggravated matters in recent years, the electric blanket appears to be a product in long-term decline. In spite of innovations such as dual controls, manufacturers have been unable to expand the market sufficiently to offset the rise of duvets and central heating.

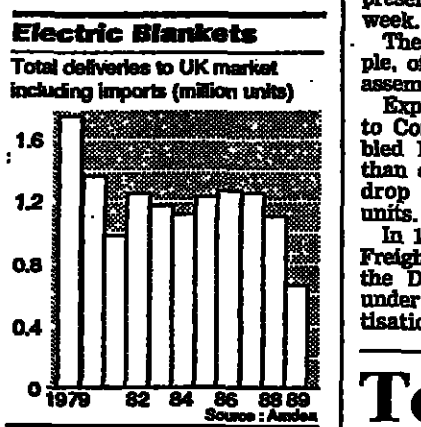
Retailers have reacted to the latest downturn in sales – and to high interest rates – by letting stocks of electric blankets fall to well below the usual levels for February.

Mr Ron Colquitt, finance director of Burnley-based Blanella, part of the private Irish group Glen Dimplex, said one of his main customers was out of stock on four of six models and had no plan to replace them until the autumn.

"I think they're ready to lose sales rather than carry stock," Mr Colquitt said.

Electric Blankets

Total deliveries to UK market including imports (million units)



Sales in London Electricity Board showrooms have held up better than the national average but are still 12 per cent down so far for the year to April.

Miss Jackie Drinkell, buyer, confirmed that the LEB was also letting stocks fall. "If we had 10 left, we probably wouldn't re-order," she said.

One optimistic indication came from Argos, the catalogue retailer soon to be demerged from BAT Industries.

Its sales of electric bedding were 20 per cent higher in January than in the same month last year.

The combination of lower sales and de-stocking has led to reduced production at the country's main manufacturers.

Blanella is working a four-day week, and the largest manufacturer, Oldham-based Northern Blankets, is operating at 20 to 30 per cent of capacity.

Northern, which is owned by Allegheny International of the US, makes about half the blankets sold in Britain. Its brands include Sunbeam, the market leader, and own-label products for electricity showrooms and John Lewis Partnership department stores.

Dreamland, the Yale & Valor subsidiary which sells the second-largest number of electric blankets in Britain but ranks first by value, has moved its production base to Portugal.

Rivals have watched the move with interest, but not much trepidation, since labour comprises a relatively small proportion of production costs. Until Dreamland's move, imports accounted for only about 5 per cent of the UK market.

The industry's ability to pull out of its decline depends on finding products that appeal to a wider market than the traditional older customer. Several makers pin their hopes on electric feet warmers and underblankets that need not be turned off before the user gets into bed.

What the manufacturers really dream of, however, is a white Christmas, followed by the sort of prolonged cold spell that makes the pundits forget the greenhouse effect and start talking again about a new ice age.

Rethink on media seizure measure

By Raymond Snoddy

THE GOVERNMENT has decided to review controversial clauses in the Broadcasting Bill allowing police to seize scripts and tapes from broadcasters before transmission if they thought an offence was about to be committed.

The clauses have been criticised by broadcasters as an unprecedented degree of prior censorship on the British broadcasting system.

Under the bill, now in its committee stage in the House of Commons, any policeman of superintendent rank or above would have the power to make an order requiring broadcasters to produce scripts, tapes or films, if he had "reasonable grounds for suspecting" that an offence had been, or was likely to be, committed under public order or obscene publications legislation.

Mr David Mellor, the Home Office Minister responsible for broadcasting, has ordered an internal Home Office study of the clauses.

The Conservative Party gave a manifesto commitment at the last election that broadcasting would be brought, for the first time, within the reach of obscene publications legislation. In the Broadcasting Bill, however, the relevant clauses have simply been transferred from Public Order and Obscene Publications Acts.

Mr Mellor will now examine whether virtually unlimited powers to seize programmes before transmission is the appropriate way forward.

On tendering, the principle of competitive tendering has not been dented. Mr Mellor supports tendering as a way of making the allocation of franchises "more objective." Even if he were not, Mrs Thatcher, the Prime Minister, would ensure its continuation.

In the standing committee hearings last week, however,

David Mellor: ordered internal Home Office study

Mr Mellor said he would like to:

- Add children's and religious programmes to the specified categories that must be produced by commercial broadcasters alongside news, current affairs and regional programmes.
- Extend the requirement to produce a "suitable proportion" of high-quality programmes to the entire range of programme types.
- Look at whether more should be included in the bill to define the "exceptional circumstances" in which the Independent Television Commission could reject the highest financial bid.

Mr Mellor wants a bid offering exceptional quality to be able to take precedence over the highest financial bid. He believes that is already implicit in the bill, but his interpretation is disputed by lawyers.

The minister has cleared his proposals with Mr David Waddington, the Home Secretary and former Chief Whip, but must now consult the Cabinet committee chaired by Mrs Thatcher which drew up the bill's main proposals.

Leyland DAF creates 200 jobs

By John Griffiths

LEYLAND DAF is to create an extra 200 jobs at its Birmingham van-making operations, formerly known as Freight Rover.

The move, mainly to cope with sharply increasing export demand, is expected to lead to the company's facility at Common Lane, Birmingham, producing 600-650 panel vans a week in the spring, compared with present output of about 500 a week.

The plant employs 2,000 people, of whom around 1,300 are assembly-line workers.

Exports of the vans, mainly to Continental markets, doubled last year to 6,000, more than offsetting a 5.88 per cent drop in UK sales to 16,138 units.

In 1986, the last year before Freight Rover became part of the Dutch truck maker DAF under the Government's privatisation of Rover Group, the division exported only 300 vans.

For much of the past year the plant has been working at its single-shift capacity, and the extra workers will be employed to create a night shift.

Total production last year rose to 24,000 vehicles, compared with 20,500 in 1988 and 17,000 in 1986.

Many of the extra jobs are likely to be filled by workers from the Rover Group's adjoining Drews Lane components plant, which Leyland DAF is negotiating to buy from Rover.

When the negotiations were first disclosed, last month, both parties gave assurances of job security for affected workers.

The Drews Lane plant was once part of Freight Rover and still makes components for Leyland DAF.

A joint statement by Rover and Leyland DAF had said that some Drews Lane work would be transferred to other Rover plants in the area, at Longbridge and Solihull.

It also said that both Rover and Leyland DAF planned vehicle production increases.

The apparent confidence that all workers could be found jobs is also based on the fact that Leyland DAF is investing £100m in a new van range, within what is intended to be a joint venture with Renault.

A letter of intent jointly to develop the new range was signed by the two companies in October and final agreement is expected shortly.

It envisages production of 80,000 or more vans a year, shared between France and Birmingham, and implies a doubling of van production at Common Lane.

Independent postpones float again

By Raymond Snoddy

THE INDEPENDENT newspaper has postponed its planned flotation until next year, mainly in anticipation of a recession in newspaper advertising this year.

The float had already been delayed to the middle of this year because of a decision to launch The Independent on Sunday, which produced its third issue yesterday.

Mr Matthew Symonds, one of the founders and executive editor of The Independent, said yesterday that the investors in the paper, mainly institutions, had all been consulted.

All editorial staff replacements are being reviewed by Mr Symonds personally and 16 new editorial posts that would have been created are now unlikely to materialise.

Top commercial property agent named

By Paul Cheeseright, Property Correspondent

BLACK HORSE Commercial has emerged as the largest commercial estate agent in the UK, according to a league table drawn up by Estates Times, a property industry newspaper.

The table lists agents in terms of their numbers of fee-earning staff.

Black Horse Commercial has 430 people and is followed by Jones Lang Wootton with 410, Chesterton with 395 and Richard Ellis with 349.

The largest quoted agent is Debenham Tewson & Chinnocks, with a fee-earning staff of 323. It comes seventh in the Estates Times league table.

Figures produced in the table show that the agents expanded last year to cope with the high level of activity on the commercial property market.

For example, Weatherall Green & Smith, fifth in the overall list, expanded its staff to 333 from 271.

Towards the end of last year, though, the market slowed appreciably and in isolated cases there have been lay-offs. Anecdotal evidence suggests that staff expansion plans have been reduced and that fewer graduates are likely to be taken on in 1990 than in 1989.

The emergence of Black Horse Commercial at the top follows the rapid takeover of estate agencies by Lloyds Bank, a move indicative of the build-up of competitive pressures on the industry over the last five years. Both Jones Lang Wootton and Chesterton remain traditional partnerships, while at Richard Ellis the domestic business is controlled by a partnership and its overseas offices are incorporated.

Although the larger agents have been expanding their foreign networks, Jones Lang Wootton, again in terms of numbers of fee-earning staff, has the largest overseas representation of any British agent.

Holiday competition rises as market ebbs

By David Churchill, Leisure Industries Correspondent

COMPETITION among travel agents for a share of the shrinking 1990 package holiday market is intensifying.

Most market estimates suggest that the overall demand for Continental package holidays this year will be down at least 20 per cent, a 2m drop in the number of holidays taken.

A sign of the times was Saturday's one-day sale by Pickfords Travel of holidays from the International Leisure Group, which includes the Intasun, Lancaster, Global and Sol names among its main subsidiaries.

Other travel agents, including Lunn Poly and Thomas Cook, are also offering price discounts on both winter and summer holidays and advertising them extensively on television.

Mr Ian Smith, managing director of Lunn Poly, says the company plans to spend some £1.75m in the first two months of this year on television advertising of its discounts.

He said: "January has almost always been the peak booking month for holidaymakers from the UK and from our latest figures it appears that this year will be no exception."

Lunn Poly and other travel companies say demand has picked up since Christmas after the 50 per cent pre-Christmas drop in bookings.

Bookings in January for this summer's package deals are running at roughly the same level as last year, according to most estimates.

"But this is in comparison with January and February last year, when sales were very sluggish," said Mr Charles Newbold, managing director of Thomson Holidays, the largest UK package tour operator.

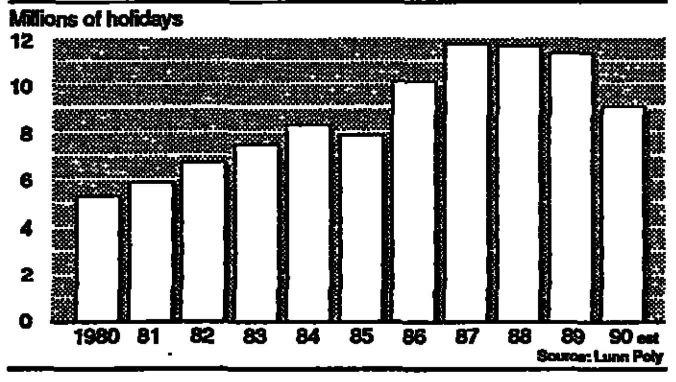
Sales since Christmas appear to have been strongest in Scotland. Mr Roger Heape, managing director of Intasun, believes that reflects the lower rate of owner-occupation in Scotland.

He said: "Demand has been hit by higher interest rates, which, not surprisingly, takes a greater toll on people with large mortgages in the south."

Travel companies also believe that the fall in bookings for package holidays to some Mediterranean destinations – especially Spain – reflects changing holiday patterns.

Charter holiday market

Millions of holidays



Thomas Cook, for example, says that long-haul holidays to the US and Caribbean and short-break holidays are the fastest growing sectors of the travel trade.

Lunn Poly says sales in January to Florida are 50 per cent up on last year.

Mr John McEwan, managing director of Thomas Cook retailing, said: "The demand for short-break holidays grew by 20 per cent in volume last year and does not seem to be affected this year by the general slump in trade."

He suggests that reflects the fact that many holidaymakers who take frequent short-break holidays are couples with no children or whose children have left home.

Other holiday trends include growing popularity of European destinations such as Cyprus and Italy. Mr Tony Le Masurier, chief executive of Citalia, the Italy specialists, says that "the more affluent and older holidaymakers find Italy very appealing."

Finance group opens in Wales

NOBLE LOWNDES, the pensions and personal finance group, is to open an office in Cardiff, writes Anthony Moreton, Welsh Correspondent.

A Government-led initiative, launched two years ago to develop financial services in south-east Wales, has attracted N. M. Rothschild, National Provident Institution and Banque Nationale de Paris.

Recently, the Sedgwick group, the international insurance brokers, took over B. K. Thomas, a local insurance broker.


The British Petroleum Company p.l.c.
BP Coal and Minerals Australia Proprietary Limited
BP Coal Development Australia Proprietary Limited
Kembla Coal & Coke Proprietary Limited
CRA Limited
CHASE
International Paper Company
ILFORD Group
CIBA-GEIGY AG
CHASE
GAF Corporation
Newco Holdings, Inc.
CHASE
Ford Motor Company
Rouge Steel Company
Marico Acquisition Corporation
CHASE
AMAG Boyne Pty Ltd.
Boyne Smelters Ltd.
Kaiser Aluminum & Chemical Corporation
CHASE
Sara Lee Corporation
PYA/Monarch, Inc.
JP Foodservice, Inc.
JPF Holdings, Inc.
CHASE
Aquatec Chemical International Inc.
Burmah Technical Services, Inc.
Burmah America Incorporated
CHASE
AAC Holdings, Inc.
Arcadian Corporation
Fertilizer Industries, Inc.
CHASE
Roux, Seguela, Cayzac & Goudard GmbH
DTM Deutsche Telefonmarketing GmbH
CHASE
Harris Chemical Corporation
Great Salt Lake Minerals & Chemicals Corporation
Gulf Resources & Chemical Corporation
CHASE
Continental Financial Corporation
Continental Life and Accident Company
CHASE
Holmes & Marchant Group Plc
Consultores de Comunicacion y Direccion
CHASE
Pan Ocean Resources Limited
Australian Development Limited
CHASE
Boulton & Paul Plc
B.E.T. Plc
Bruynzeel M&D B.V.
Kuin Holding B.V.
Exploitatiemaatschappij Van Stam B.V.
CHASE
Chinney Investments Limited
Management Investment Technology
CHASE
Microdot Inc.
Polyseal
Selastomer
and CDI
Macrotech Fluid Sealing, Inc.
CHASE
One bank's global expertise
earned these votes

هكذا من الأصل

DIARY DATES

PARLIAMENTARY

Today

Commons: Private members' motions.
Remaining stages of the Property Services Agency and Crown Suppliers Bill.
Lords: Debate on report of procedure committee.
Food Safety Bill, report.
Select committee: Public Accounts: subject, inner city regeneration. Witnesses: Sir Terence Heiser, Department of the Environment, Sir Peter Grigson, Department of Trade and Industry, and Sir Geoffrey Holland, Department of Employment. (Room 15, 4.30 p.m.)

Tomorrow

Commons: Debate on Government spending plans 1990-91 to 1992-93.
Lords: Human Fertilisation and Embryology Bill, committee.
London Local Authorities (No. 2) Bill, third reading.
Committees on private bills: Cardiff Bay Barrage. (Room 5, 10.30 a.m.)
King's Cross Railways. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Wednesday

Commons: Opposition debate on railways.
Lords: Debate on "The state of the North Sea and the need to prevent pollution."
Debate on "The need for a select committee to scrutinise all bills coming before Parliament."

Question to Government on action to reduce traffic obstruction and delays.
Select committees: Environment: subject, beach pollution. Witnesses: ICI, Energy and Waste Systems and Sunwater. (Room 6, 10.30 a.m.)

Agriculture: subject, fish farming. Witnesses: Convention of Scottish Local Authorities and Association of County Councils. (Room 20, 10.45 a.m.)
Energy: subject, fast breeder reactor. Witnesses: Energy Department officials. (Room 8, 11 a.m.)

Employment: subject, tourism. Witnesses: Historic Houses Association and North West Tourist Board. (Room 20, 415 p.m.)
Home Affairs: subject: Crown Prosecution Service. Witnesses: National Association for Victims Support Schemes and National Association for the Care and Resettlement of Offenders. (Room 15, 4.15 p.m.)

Public Accounts: subject, Northern Ireland matters. Witnesses: officials from the Northern Ireland Departments of Health and Social security, Finance and Personnel, Environment and Agriculture, the Housing Executive and Dr W. Jack, Comptroller and Auditor General for Northern Ireland. (Room 6, 4.15 p.m.)

Social Services: subject, community care. Witnesses: Royal College of Nursing and Royal College of Psychiatrists. (Room 21, 4.15 p.m.)

Procedure: subject, the select committee system. Witnesses: Professor Garel Rhys of Cardiff Business School, Dr Michael Rush of Exeter University and Professor Phillip Norton of Hull University. (Room 16, 4.30 p.m.)

Treasury and Civil Service: subject, Valuation Office. Witnesses: Mr R. Shutler, chief valuer, and officials. (Room 8, 4.30 p.m.)
Committees on private bills: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.)

King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Thursday

Commons: Education (Student Loans) Bill, remaining stages.
Lords: Criminal Justice (International Co-operation) Bill, third reading.

Contracts (Applicable Law) Bill, committee.
Pensions (Miscellaneous Provisions) Bill, second reading.
Gaming (Amendment) Bill, second reading.

Question to Government on action to resolve the ambulance dispute.

Committees on private bills: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.)

King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Friday

Commons: Private members' bills.

FINANCIAL

TODAY
COMPANY MEETINGS-
Avon Rubber, Melksham House, Melksham, 2.30
Grovewood Securities, 10 Throgmorton Avenue, E.C., 10.30
Perpetual, Phyllis Court, Marlow Road, Henley-on-Thames, Oxfordshire, 10.00
BOARD MEETINGS-
Finals:
Fairway (London)
TR Pacific Inv. Tst.
Interims:
Black (Peter) Hldgs.
Dalgety
Essex Furniture
Howard Hldgs.
Hunterprint
Mid Wind Intl.
Orchid Technology
Second Alliance Tst.
Triton Europe
DIVIDEND & INTEREST PAYMENTS-
Borthwicks 0.5p
British Telecommunications 4.65p
Broad Street 0.65p
Builder Group 1.5p
Citicorp 40.5cts
Exchequer 11% Ln 1990 5.5pc
Management Systems 0.8p
Norcros 5p
Tongaat-Hulett 6.17123p
Volex 6.5p
TOMORROW
COMPANY MEETINGS-
Anglia Secure Homes, Embassy Suite, Balkerne Hill, Colchester, 12.00
Baggeridge Brick, Plough & Harrow *Hotel, Hagley Road, Birmingham,* 12.00
Devenish (J.A.), The Brewers' Hall, Aldermanbury Square, E.C., 12.00
English China Clays, Hyde Park Hotel, W., 12.30
Hardy's & Hansons, Kimberley Brewery, Nottingham, 11.30
BOARD MEETINGS-
Finals:
Egerton Tst.
Reuters Hldgs.
Interims:
Bryant
Flemming Overseas
DIVIDEND & INTEREST PAYMENTS-
Avon Rubber 11.5p
Devenish (J.A) 3.7p
Fishguard & Rosslare Rlys & Hbrs $3\frac{1}{2}$% Gtd Stk 1.225p
Gibbon Lyons 1.9p
Latham (James) 4.25p
M. & G. European General Fund 0.7p
Southend Property Holdings 1.2p
WEDNESDAY FEBRUARY 14
COMPANY MEETINGS-
Control Techniques, Howard Hotel, *Temple Place, W.C., 12.00*
Economic Forestry, Caledonian Club, 9 *Halkin Street, S.W.,* 11.00
Flexello Castors & Wheels, Holiday Inn, Langley, Berkshire, 3.00
Radio Clyde, Clydebank Business *Park, Clydebank,* 10.30
Spectrum, Epping Post House Hotel, Epping, 10.00
BOARD MEETINGS
Finals:
General Consolidated Inv. Tst.
Leslie Wise Group
Scottish American Inv. Co.
SEP Industrial Hldgs.
Interims:
Bailey (C.H.)
Norton Grp.
DIVIDEND & INTEREST PAYMENTS-
Baggeridge Brick 2.375p
Banco Nacional De Mexico Fltg. Rate Sub. Nts. $266.81
Bass 21.2p
Blacks Leisure 0.05p
Control Techniques 3.7p
Export-Import Bank of Korea Fltg. Rate Nts. Aug 1990 $4472.22
London Securities 0.5p
Perpetual 1.7p
Radio Clyde 4.75p
UMECO 1.575p
Wilshaw 0.1p
THURSDAY FEBRUARY 15
BOARD MEETINGS-
Finals:
Amstrad
Crest Nicholson
Green Property
Independent Newspapers
Norsk Hydro Assoc.
River & Mercantile
Tribune Inv. Tst.
Trust of Property Shares
Interims:
GT Venture Inv. Co.
News Intl.
Photo-Me-International
Wolseley
DIVIDEND & INTEREST PAYMENTS-
Abbott Laboratories 35cts
African & European Investment Ld 6% Stk 0.72853p
Anderson, Strathclyde 8% Uns Ln 86/91 4pc
Anglo American Investment 6% Prf 1.45703p
Britannia Building Society Fltg. Rate *Nts. 1995* £361.39
Broadwell Land 1.7p
Brown & Tawse 2.85p
Brunswick Shs Com Stk 11cts
Colgate-Palmolive Com Stk 45cts
Edbro 3p
Erostin 3p
Forminster 3.025p
Goode Durrant 2.15p
Guiness Mahon 1.3p
M. & G. Second General Trust Fund 16.528p
Midland Bank Fltg. Rate Nts. 2001 £190.3
Pacificorp Com Stk $3.25 69cts
Polar Electronics 2.5p
Racal Electronics 0.9525p
Racal Telecom 0.7475p
Scottish Investment 2.53p
Scottish Metropolitan Property $6\frac{3}{8}$% 1st Mtg. Deb. Stk. 3.1875pc
Do. $10\frac{1}{4}$% *1st* Mtg. Deb. Stk. 5.125pc
Sears $7\frac{1}{4}$% Uns Ln Stk 92/97 $3\frac{5}{8}$pc
Sterling Industries 1.35p
Storehouse 2.5p
Trinity International 5% Prf Stk 1.75p
FRIDAY FEBRUARY 16
COMPANY MEETINGS-
Acais, 41 Tower Hill, E.C., 11.00
Bett Brothers, 9 Cox Street, Dundee, 12.00
Dobson Park Industries, Midland Hotel, Manchester, 12.00
Lee (Arthur) & Sons, Tapton Hall, Shore Lane, Sheffield, 12.30
BOARD MEETINGS-
Finals:
Anglo & Overseas Tst.
Dickie (James)
Newmarket Venture Capital
Interims:
Portsmouth & Sunderland Newspapers
Zurich Group
DIVIDEND & INTEREST PAYMENTS-
Bankers Trust International Capital NV Fltg. Rate Nts. 1996 $222.01
Bett Bros. 3.95p
C.H. Industries 1.2p
Elga 0.5p
Ensor 1.25p
Flexello Castors & Wheels 3.73p
Gates Rubber 5% *Prf* Stk 3.5p
Scottish & Newcastle Breweries 4.42p
Treasury $2\frac{1}{2}$% Index-Linked Stk 2013 £1.6171
United Industries 1.2p
Westland 2.25p

Trade fairs and exhibitions: UK

February 13-15
Corporate Computer Security '90 International Exhibition and Conference (0733 60535)
Novotel, Hammersmith

February 13-15
The Property Business + *Enterprise 3* (01-834 1717)
Barbican, London

February 20-22
London Food Exhibition (01-486 1951)
Wembley Centre

February 20-22
Business Communications Exhibition — NATIONAL CONNECT (0652 650505)
G-Mex Centre, Manchester

February 25-27
Menswear Fair — MABNORTH (01-437 8754)
Harrogate

February 28-March 1
Northern Wine and Spirit Trade Fair (01-637 2400)
G-Mex Centre, Manchester

March 4-6
International Automotive Parts & Accessories Trade Show — AUTOPARTAC (01-302 8585)
Olympia

March 4-7
Skiing Exhibition — SKI GB (0228 41272)
NEC, Birmingham

March 6-8
International Cosmetics Exhibition (0799 26699)
NEC, Birmingham

March 10-April 1
Daily Mail Ideal Home Exhibition (01-2229341)
Earls Court

Overseas exhibitions

Current
International Toy and Hobby Fair (01-930 7251) (until February 14)
Nuremberg

Current
International Boat Show (01-486 1951) (until February 18)
Helsinki

February 18-21
International Confectionary, Chocolate, Biscuit and Pastry Exhibition — INTERSUC (01-225 5566)
Paris

February 22-25
International Sports Equipment & Fashion Trade Fair — ISPO SPRING (01-940 4625)
Munich

March 10-18
International Boat Show — HISWA (01-495 7977)
Amsterdam

March 11-17
International Spring Fair (0375 392222)
Leipzig

Business and management conferences

February 12-13
Financial Times: Commercial aviation in the Asia-Pacific region to the end of the century and beyond (01-925 2323)
Singapore

February 13-14
National Materials Handling Centre: Warehouse & distribution software conference - technology for profit (0234 750323)
Ramada Inn, West London

February 15
Design for Europe conference (01-228 8034)
QEII Conf Centre, London

February 16
CBI Conferences: Legislation behind the Social Charter (01-379 7400)
Centre Point, London

February 19
Technology Forum: Risk assessment techniques and fire safety (01-519 4105)
London Tara Hotel

February 20
Information for Energy Group: Oil price information (01-636 1004)
Institute of Petroleum, London

February 22
PCTS: ESOPs, share schemes, and performance related pay for executives and employees (01-284 0470)
Cafe Royal, London

Feberuary 22
Tolley: International tax planning conference (01-680 5682)
London Press Centre

February 22-23
Acquisitions Monthly and Bankers Trust Company: Acquiring in Europe (01-823 8740)
London Marriott Hotel

February 28-March 1
Finanacial Times Conference: *Cable television and satellite* broadcasting (01-925 2323)
Hotel Inter-Continental, London

March 1
The Conference Board: Anti-trust issues in today's economy (NY 212-759 0900)
Grand Hyatt, New York

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	Northern Bank Ltd	15
Adam & Company	15	Coutts & Co	15	Norwich Gen. Trust	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Nykredit Mortgage Bank	$15\frac{1}{2}$
Allied Irish Bank	15	Dunbar Bank PLC	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Duncan Lawrie	15	Provincial Bank PLC	16
Associates Cap Corp	$15\frac{1}{2}$	Equatorial Bank plc	15	R. Raphael & Sons	15
● B & C Merchant Bank	15	Exeter Trust Ltd	$15\frac{1}{2}$	Roxburghe G'rantee	$15\frac{1}{2}$
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williams Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	$15\frac{1}{2}$	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	$15\frac{1}{2}$	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit. Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
Cl. Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Meghraj Bank Ltd	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9%. Sanewise 8.5%. Top Tier-£10,000 + instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

CONTRACTS & TENDERS

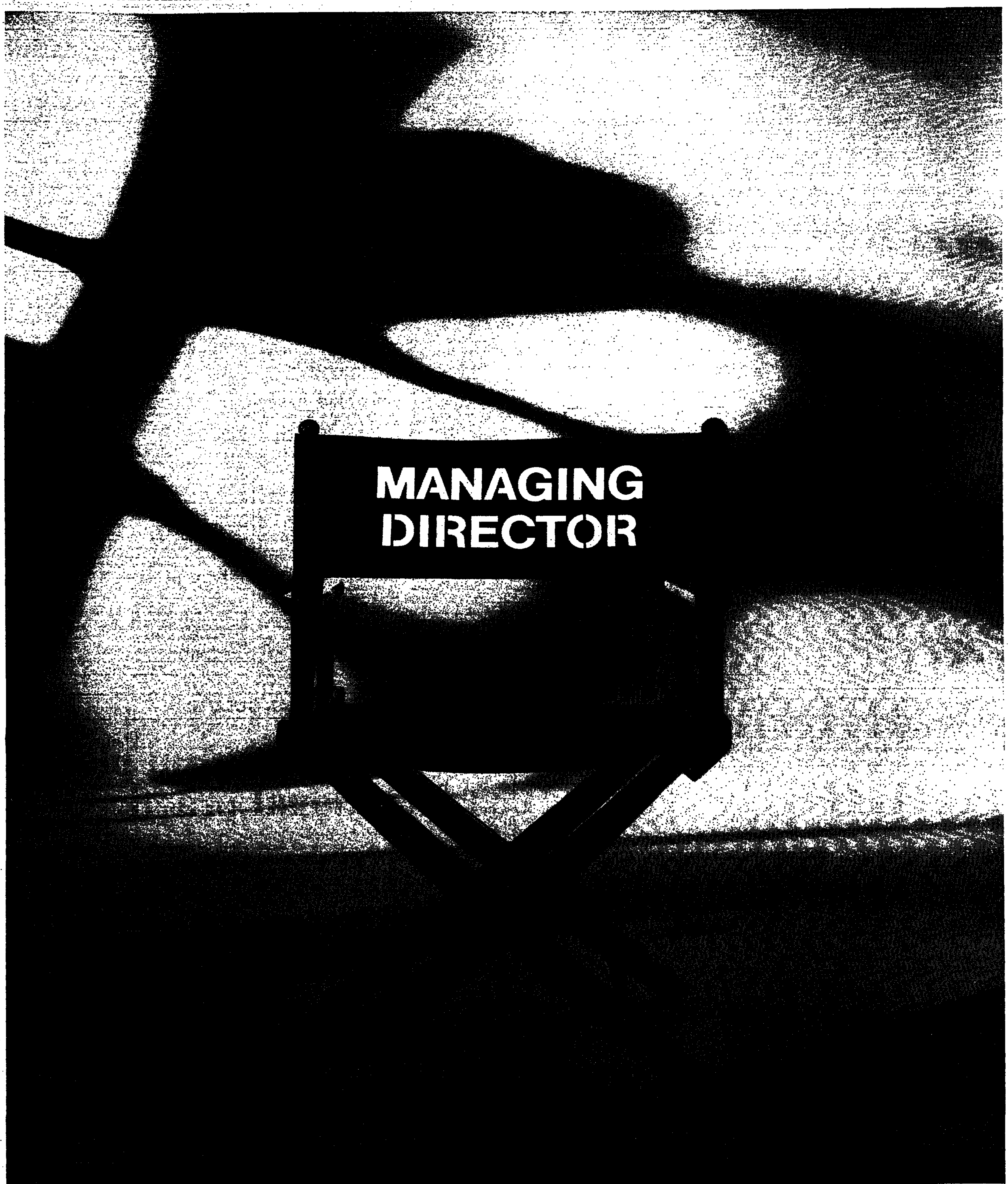
CONFERENCES

COMPANY NOTICES

RENTALS

CLUBS

هكذا من الأصل



NOW YOUR COMPANY CAN HAVE ITS OWN SATELLITE TV STATION.

Corporate communications have taken a giant step forward.

With a Business TV network, your company can broadcast its own television programmes to employees, distributors or customers anywhere in the UK and most parts of Europe.

Television gives your messages a power and immediacy that no other medium can match.

In the USA, Business TV networks have been proving their value for almost ten years, enabling companies like Merrill Lynch and Texas Instruments to move faster and more effectively than the competition.

Now you can capitalize on the impact of live TV for 'face-to-face' management briefings, motivating the sales force or getting across a consistent message to the whole company.

Live transmissions mean you can keep everyone completely up to date and adjust your plans dynamically.

Training through Business TV saves both time and money by enabling your best trainers to talk to more people, more often, at their place of work. It even permits live feedback and question-and-answer sessions.

The main benefit of the medium, however, is in improving the speed and consistency of your communications with the market-place. New product launches are quicker and the entire organisation responds more quickly because everyone gets the same undiluted message immediately. In fast-moving markets, the savings this brings will soon pay for the cost of the network.

British Aerospace Communications make the whole process as simple as possible, designing and installing your tailor-made network, advising on programming and, of course, handling the satellite transmission.

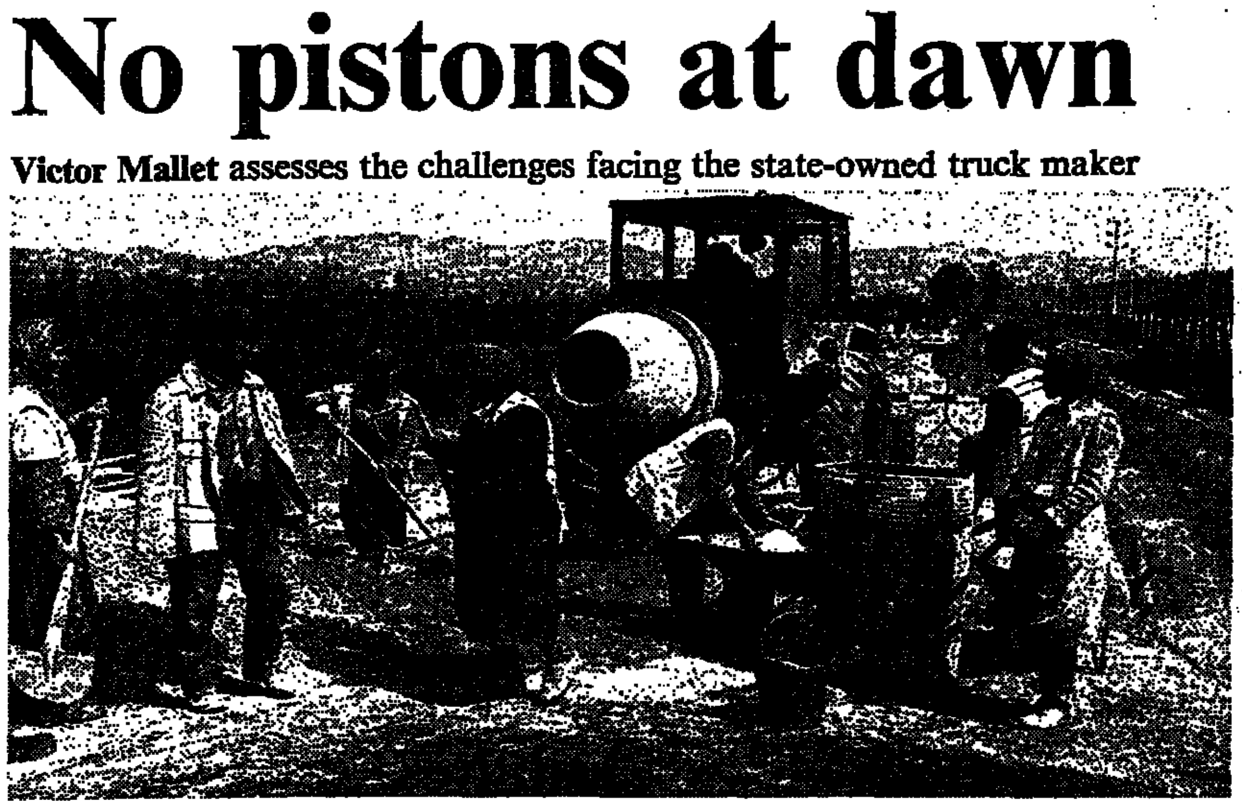
Switch on to the power of Business TV before your competitors do. Just ring us on 01-323 4390.

BRITISH AEROSPACE COMMUNICATIONS BUSINESS TV

Romanian manufacturing

No pistons at dawn

Victor Mallet assesses the challenges facing the state-owned truck maker



A Romanian tractor being used in road-building — UTB is considering selling tractors made for Syria to the Romanian peasants who are taking over co-operative land; it has 10,000 in stock

Autocamioane Brasov (AB), the Romanian state-owned truck manufacturer and exporter, needed pistons. The Romanian supplier could not provide them because the government was anxious to boost exports of raw materials and had not allocated the necessary aluminium.

AB decided to import the pistons, but to do this it needed a document signed by the piston supplier showing that the goods to be imported could not be made in Romania. The piston supplier did not sign the document because its official plan showed that it did make pistons. There were no pistons and no lorries.

This sad but typical tale of the late Nicolae Ceausescu's obsessive hatred of imports and the disaster of pre-revolutionary central planning is told by Ion Taflan, who is in charge of international co-operation at AB's factory of more than 20,000 workers in the industrial town of Brasov. There are many similar stories in Romania, like the one about the Romanian shoes which fell apart for want of a few dollars' worth of imported glue. "All economic life was suffocated," says Taflan.

The truth about Romanian industry – pollution, poor working conditions, bogus production figures, and inadequate or misdirected investment – is beginning to emerge following the overthrow of Ceausescu in December. Everybody knows what went wrong, but nobody is sure what to do next to reform a network of huge and interdependent state enterprises. Various radical liberalisation measures are being considered – and in some cases implemented – by the interim government and by individual state companies.

Privatisation of all but the smallest firms in Romania is likely to mean foreign investment. The domestic private sector – with the exception of a few tailors, shoe-repairers and vegetable farmers – has been eradicated by more than four decades of Communist rule. Foreign investment, however, could lead to unacceptable job losses in the heavy industries favoured by Ceausescu, and the government is not sure whether to insist on a majority Romanian stake in joint ventures when it publishes investment guidelines and regulations in the future.

In the meantime, the provisional government has moved quickly to demolish the rigid apparatus of central planning and to allow each state enterprise a measure of autonomy.

In 1969 AB had bought MAN technology from West Germany, but since then it had found it increasingly difficult to make international contacts and to adapt to the needs of customers and the vagaries of the market.

Some of AB's foreign clients even smuggled their own paint to the Brasov factory in under-the-counter deals to ensure that their trucks were the right colour. The deal benefited both sides - the clients got cheap lorries with a discount for supplying the paint, and AB was able to export its goods despite the regime preventing it importing a few dollars' worth of pigment for the paint.

The nearby UTB tractor factory – which also has some 20,000 employees – was once told to make tractors for Syria, only to find that there was no contract and no sale.

Those days seem to be gone. The authorities have told state companies that they can make their own approaches for sales and purchases in Romania and abroad, and UTB is already considering the sale of the tractors made for Syria to the Romanian peasants who are taking over co-operative land. It has stocks of 10,000 tractors.

Many questions remain unanswered. Who, for example, will control access to foreign currency and at what rate of exchange will it be bought and sold? What will be the role of barter and of the foreign trade organisations which have been managing external deals?

"We have to try to decentralise the economy within the old central framework at first, because people are still waiting for instructions," says the overworked Bogdan Teodoriu, who is grappling with these problems at the government's headquarters in Bucharest. "The laws are not in place for an entirely free system," he says. "There are so many links between the various enterprises in the country that if we begin to privatise quickly there will be chaos."

Strict plan targets are to be scrapped, but the state will continue to give guidelines. Factories used to lie about their production in any case, and shortages of electricity and raw materials meant that in 1989 AB made only 14,000 Dac and Roman lorries (less than half the planned number). About 6,000 were exported to customers such as Cuba, China and Poland.

UTB was reluctant to give figures, but said it was producing well below its capacity of 65,000 tractors a year and had achieved only half its planned exports last year.

The potential profitability of Romanian industries is difficult to estimate because market forces were suppressed or distorted by Ceausescu. There is, for example, a shortage of buses and trucks in Romania, but the enterprises responsible for buying them were not given permission to do so.

For exporters, there is the added problem of currency conversion. Dionisie Hodirnau, AB's financial director, says the company was sometimes discouraged from fulfilling orders by special exchange rates fixed by the state. Although the commercial exchange rate was about 15 lei to the dollar, the factory received only 12.5 lei per dollar for its truck exports and as little as 4 lei per dollar for spare parts.

"The new authorities told us that they would assure electric power and that we are free to choose our range of lorries," he says. "We are free to make contact with other countries, but first we have to get in touch with the companies which collaborate with us in Romania to see if they can assure us of what we need."

At UTB, Aurel Pop, head of the export department, sees the possibility that the functions of Universal Autotractor – the foreign trade organisation for UTB and AB – will be absorbed into UTB's operations. "This activity of direct contact is not yet organised here," he says. "We don't know what will happen to [Universal Autotractor] in the future. This is a matter for the government."

If government policies after the revolution are hesitant and confused, the situation on the shopfloor is not much better. Brasov is famous as the scene of a brutally-suppressed strike for better conditions under the Ceausescu dictatorship in 1987, but the town's factories seem as grimly Dickensian as ever. In AB's smoky and bitterly cold assembly-line building, workers cluster round a makeshift stove made out of an oil barrel.

Salaries vary according to plan fulfilment, although the government agreed to pay January's wages in full despite the shortfalls caused by power cuts and revolutionary turmoil. It has also promised a five-day week (instead of the current six-day week with a long weekend once a month) and spoken of higher wages for miners and others in difficult jobs.

It is too early to tell if Petre Roman, the Prime Minister, who has taken on the task of promoting an industrial revival, will succeed in improving workers' rights and working conditions at the same time as restoring profitability, replacing old technology and ensuring a smooth flow of raw materials.

From President Ion Iliescu downwards, members of the administration have expressed concern about the effects of liberation on the workforce, and they have urged people to put their noses to the grindstone. All over the country managers disliked for their affiliation to the discredited Communist Party or for their incompetence have been fired by committees of workers loyal to the National Salvation Front which took power at the revolution.

The committees have elected new managements, even if in practice many senior officials have remained in their posts because there is no-one to replace them. Theoretically, therefore, employees and the management are on the same side while the government tries to draft some labour and trade union legislation.

The attitude of the workforce will be crucial for the success or failure of industrial reform in Romania. There is said to be no shortage of basic technical skills, but workers – immersed for years in the propaganda of a ruthless Communist dictator – show an ingrained distrust of capitalism, of foreigners and of professionals.

Among the more startling aspects of Romanian society are the deep class divisions between those who categorise themselves as workers and those who call themselves intellectuals. Wages are much the same for doctors and scientists as for labourers and miners, and professionals seeking to explain their contempt for the working class say they can only assert themselves by flaunting their education.

Romania's reforms will take a long time, and everything from industrial quality control to state companies' uninspiring attempts at marketing will need to be overhauled. Some Romanian products – special steels for example – are regarded as high quality, but finished products have been given a bad name by misguided attempts to make every component at home.

Looking far into the future, Bogdan Teodoriu in Bucharest is contemplating the prospects for industrial specialisation and the idea of employees owning shares in their enterprises. "Our technology is of a very low standard, or rather of a very unequal standard in different sectors," he says. "A big mistake of the Ceausescu system was the development of too many sectors, especially in industry. There was chaotic import substitution in so many fields. I think in the long term the solution for Romania is to specialise its industrial production."

Informed visionaries needed at the top

Alan Cane reports on effective use of IT

Chief executives bear a serious and, it seems, disproportionately heavy responsibility where information technology is concerned. Surveys suggest that subordinates believe the boss's attitude to IT to be the single most important factor in determining whether the organisation uses the technology effectively or not.

Yet for the most part, top executives are singularly ill-prepared to deal with IT. As Cyrus Gibson and Leslie Ball of the Index Group point out in a recent paper*: "Neither experience nor formal education has equipped them to make good IT decisions. Few senior managers today have been rotated through the information systems function. Business school courses in computers mostly still focus on the mechanics of the technology rather than its creative application to business problems".

The result, Gibson and Ball suggest, is that senior managers develop fixed patterns of behaviour where IT is concerned.

They identify five distinct kinds of thinking – "mindscapes" is their word – among business leaders, none of which is likely to generate a healthy approach to IT in their organisations.

■ First, the "phobics" who abhor computers. They shun new systems and upgrade their existing systems only when absolutely necessary. They have an inflexible belief in the "old fashioned way of doing things"; in IT terms they are so far behind the times that they run the risk of operational obsolescence.

■ Almost as bad are the "penny-pinchers", who go along with IT investments but look continually for ways to cut costs in a manner which is counter-productive. This approach, Gibson and Ball suggest, can drive computer activities underground as subordinates hide their IT expenditure to avoid censure. On the other hand, a penny-pincher can be a useful counter to a fascination with technology for its own sake.

■ Even top managers who are enthusiastic about IT may be misguided. The "automator", for example, sees IT as a tool for cost savings and will not approve technology proposals that offer unquantifiable returns. Automators have no time for lap-top computers for sales staff or executive information systems for senior managers; they are really only interested in using computers to eliminate people.

■ "Hackers", on the other hand, are anxious to spread the gospel of personal computing throughout their organisation. According to Gibson and Ball, they are mechanically minded and self-taught "avid users of spreadsheets, word processing and electronic mail". The problem is that hackers tend to see all a company's data processing problems in personal computing terms. They see mainframe-based systems as unwieldy, inflexible dinosaurs and may try to force fit systems onto PCs incapable of carrying the load.

■ Last, there are the "visionary" managers who equate advanced technology with good technology. Their enthusiasm for the latest computer systems blinds them to their failure to understand the problem the technology is supposed to fix or the organisational changes involved in introducing it. Gibson and Ball cite the banks' unavailing efforts to integrate their computer systems in the 1970s and 1980s. They failed because the technology was simply bolted onto the existing organisational structure.

The model chief executive, Gibson and Ball say, should be an "informed visionary", an individual who not only understands the basics of IT but who is committed to a long-term vision of a company where technology planning and business strategy are tightly wedded and who has the personal credibility to inspire others to follow his or her lead.

Corporate reorganisation, Gibson and Ball say, offers subordinates an opportunity to emphasise competitors' use of IT; they underline the importance of opportunism. Without informed visionaries in the saddle, success in IT will be occasional, unplanned and come as a great surprise to the top brass.

Indications. Vol 6, No 6. Available from Index Group in Europe on (44)1-434 2512 and the US on (617) 492 1500.

LEGAL COLUMN

New City law firm plans multinational practice

By Robert Rice, Legal Correspondent

THE GLOBAL law firm debate moved a step further last week with the announcement from US lawyers, Coudert Brothers, that they are to join forces with a specially created City law firm in anticipation of the first multinational partnerships.

The new firm, Beharrell, Thompson & Co, is being formed by Mr Steven Beharrell, 45, a senior partner of Denton Hall Burgin & Warrens, and Mr Hugh Thompson, a partner of Lawrence Graham.

The firm will practise from March 1, in association with Coudert, from their London offices until the statutory ban on English solicitors forming multinational partnerships has been removed by the Courts and Legal Services Bill and the Law Society has issued rules on the subject.

Mr Beharrell expects it will be 18 months before the new rules are in place. The new firm will then amalgamate with Coudert's London practice. Meanwhile, both will join the Coudert international partnership, which has 16 offices in 11 countries in five continents, including offices in the Soviet Union and China.

By the end of the year the firm expects to have about 10 solicitors working alongside six US attorneys. They are looking for a cross-section of experience – three solicitors with four to six years' experience after qualification and the rest between one and two years qualified.

Five years later Mr Beharrell envisages the Coudert London office having at least 35 solicitors plus a number of US attorneys and EC lawyers. Growth in London will be kept in proportion with growth in Coudert's Paris and Brussels offices.

The idea is "to create a community of lawyers which can offer a package of expertise to clients," he said.

"It will be a new way of practising law."

All the big law firms are puzzling over how they can best provide the truly international side of their practices and serve clients' needs. "Coudert is at the cutting edge of this," Mr Thompson said.

Beharrell Thompson will build up its own clients but will effectively add an English law arm to Coudert's London operations.

Mr Barry Metzger, Coudert's resident London partner, lists his firm's London work as that of representing UK companies seeking to invest out of the UK into the US, the Continent or the Soviet Union; international finance; aircraft finance; an increasing volume of work for Japanese clients; London-based international transactions; and a certain volume of investment into the UK.

One of the surprising aspects of the deal is that Coudert has been able to entice Mr Beharrell away from such a senior position within Denton Hall, one of the fastest growing City firms, where he started as an articled clerk in 1963.

The Coudert approach may set a trend for other US law firms

Denton Hall is "sorry to lose him." Privately, the news seems to have come as a bit of a shock, although less so than it would have been five years ago. Nowadays it is not unheard of for senior partners to leave firms with which they have spent most of their careers. After 25 years with one firm, the attraction of a new challenge in mid career can prove irresistible.

Denton suspects that the Coudert approach may set a trend for other US law firms, although the extent to which it encourages imitators will depend on whether the Americans are prepared to invest huge sums of money to attract the senior people they need.

Mr James Sitrick, Coudert's executive chairman, believes "this is something new in the City – the first firm of its kind in the UK offering the complementary practice skills of European, English and American lawyers," although no doubt the partners of Baker & McKenzie, London, part of the world's largest law firm, would take issue with him on that.

Although the statutory ban will go, the introduction of multinational partnerships, particularly those with lawyers from non-EC member states, is still by no means certain.

The Law Society's consultation paper on regulation of multinational partnerships identifies issues that have still to be determined. The society is very conscious of the number of US law firms in particular that are looking at the possibility of forming partnerships in Europe to establish a position in the single European market by 1992.

The society's international committee has taken the initial view that further consideration of whether to allow partnerships between English solicitors and lawyers from non-EC member states should be postponed until progress has been made in resolving some of the outstanding practical difficulties of allowing multinational partnerships with EC lawyers – things such as appropriate disciplinary machinery, rules of conduct and identifying reserved practice areas for English solicitor members.

In principle the society favours allowing multinational partnerships with non-EC lawyers on the same basis as the regime that is finally established for regulating links with lawyers from EC member states.

However, there are some significant concerns with non-EC multinational partnerships that may necessitate different rules.

In relation to cross-border links with other EC lawyers, the society has concluded that it would be inappropriate to require the partnership to be controlled by the English solicitor partners largely, it seems, on the basis that such a requirement might be contrary to EC law.

EC law does not apply in the context of multinational partnerships with non-EC lawyers, though, and the society is undecided about whether it should require such partnerships with non-EC lawyers to be controlled by English solicitor partners.

Such a requirement would effectively exclude a foreign, non-EC law firm from taking one or two English solicitors into partnership in the UK.

"In favour of such a requirement," the society says, "it might be argued that it is necessary to protect the integrity of the English legal system if there should be a very large influx of non-EC law firms which might effectively seek to take over control of a substantial sector of the English profession."

However, perhaps more worrying for firms such as Coudert is the issue of reciprocity. The society is also undecided on whether reciprocity in the home state of the potential partner in the multinational partnership should be required as a precondition for allowing partnerships with lawyers of that jurisdiction.

In its response to the Government's law reform proposals, the society's governing council argued that it should at least have the power to impose such a condition if necessary.

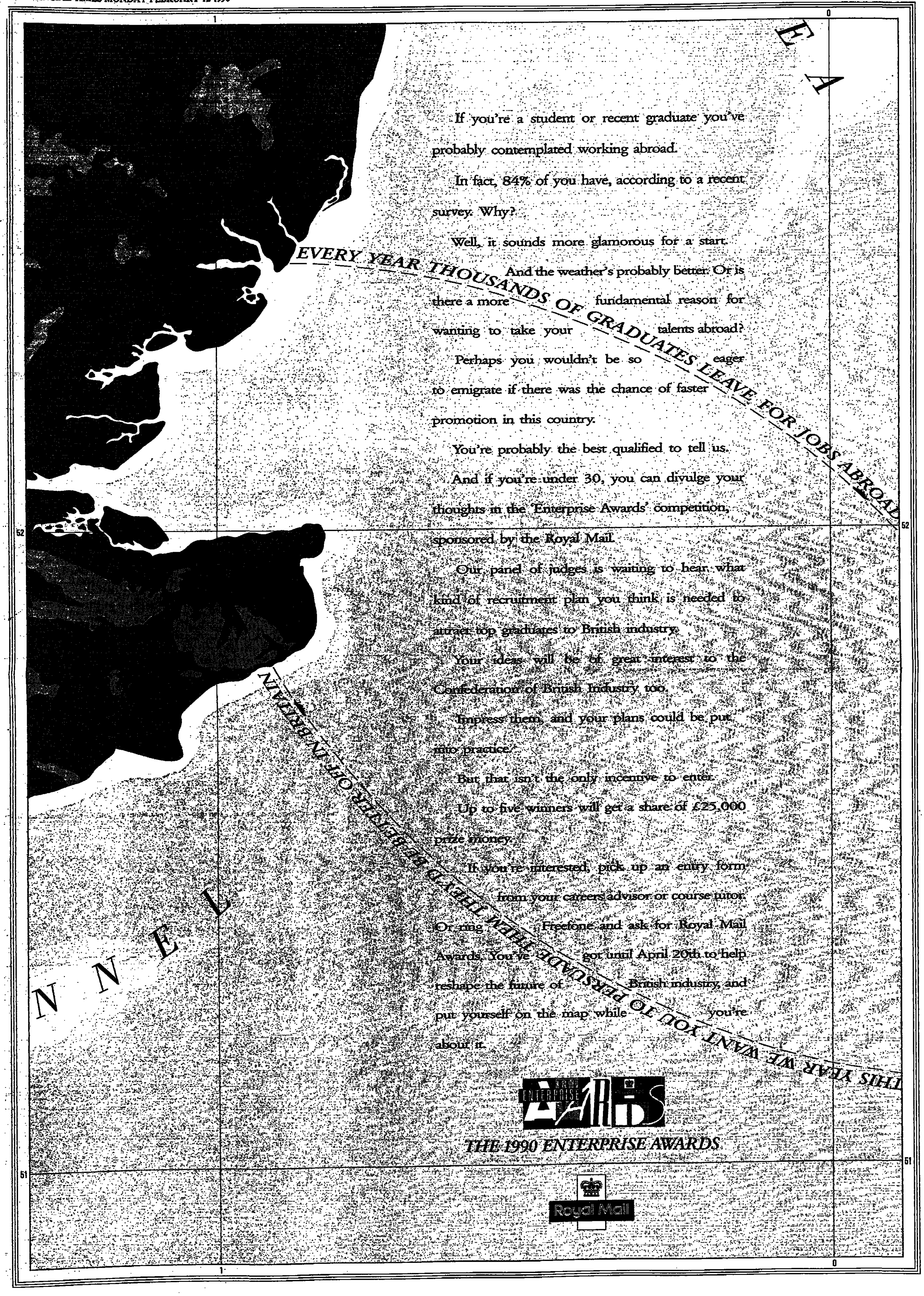
That is particularly relevant in the US context, where at present it is only possible in nine states for English solicitors and other foreign lawyers to practise as foreign legal consultants without having to become members of the State Bar.

Even in those states it is not certain whether the rules are interpreted to allow partnerships between members of the State Bar and foreign legal consultants.

The society's present position appears to be that in order to safeguard the competitive position of the English legal profession worldwide, reciprocal rights are needed. It should generally be made a condition that before multinational partnerships with lawyers of non-EC jurisdictions are allowed, English lawyers get equivalent rights in the home jurisdictions of those lawyers.

The society also wants the power to dispense with such a condition where the balance of arguments favours it – for example, where there is no demand from English solicitors for multinational partnerships in the other jurisdiction concerned.

Beharrell Thompson & Co may have to co-exist alongside Coudert Brothers in London for considerably longer than they expect.


EVERY YEAR THOUSANDS OF GRADUATES LEAVE FOR JOBS ABROAD
If you're a student or recent graduate you've probably contemplated working abroad.
In fact, 84% of you have, according to a recent survey. Why?
Well, it sounds more glamorous for a start.
And the weather's probably better. Or is there a more fundamental reason for wanting to take your talents abroad?
Perhaps you wouldn't be so eager to emigrate if there was the chance of faster promotion in this country.
You're probably the best qualified to tell us.
And if you're under 30, you can divulge your thoughts in the 'Enterprise Awards' competition, sponsored by the Royal Mail.
Our panel of judges is waiting to hear what kind of recruitment plan you think is needed to attract top graduates to British industry.
Your ideas will be of great interest to the Confederation of British Industry too.
Impress them, and your plans could be put into practice.
But that isn't the only incentive to enter.
Up to five winners will get a share of £25,000 prize money.
If you're interested, pick up an entry form from your careers advisor or course tutor.
Or ring Freefone and ask for Royal Mail Awards. You've got until April 20th to help reshape the future of British industry, and put yourself on the map while you're about it.
THIS YEAR WE WANT YOU TO PERSUADE THEM THEY'D BE BETTER OFF IN BRITAIN
ENTERPRISE AWARDS
THE 1990 ENTERPRISE AWARDS
Royal Mail

CONSTRUCTION CONTRACTS

£19.3m Welwyn offices

Hunting Gate Developments has awarded a £19.3m construction contract to HUNTING GATE DESIGN & BUILD for four units of B1 office accommodation, totalling 124,000 sq ft, adjoining ICI's 150,000 sq ft *headquarters complex* for ICI Films, at Shire Park, Welwyn Garden City.

Representing Phase II of the office park, the buildings range in size from 20,000 sq ft to 40,000 sq ft and include full air conditioning, raised floors and atria which form entrance foyers. Surface car parking of one space for every 250 sq ft of accommodation will also be provided. Construction has started and completion is due in the spring.

The project is part of a £40m package which includes contracts of £14.5m and £7.2m for a 74,000 sq ft air-conditioned office building at 38, Clarendon Road, Watford and an 80,000 sq ft office building on the Emway site in Peterborough.

Superstore in Coventry

BOVIS CONSTRUCTION, a P&O company, has been awarded a £7.6m contract by Safeway to build a superstore in Coventry.

Situated on the site of a car park in Holyhead Road, the single-storey building will have a flat roof with a slated pitched mansard perimeter.

Customer amenities will include an area for franchise businesses, a coffee shop and restrooms with baby care facilities. Staff and office areas will total some 3,000 sq ft and will be located on the ground floor and a mezzanine floor built above customer toilets.

Cold and freezer food storage facilities will be located in a 6,000 sq ft store room made accessible by two loading bays and two waiting bays.

External landscaping will include the provision of a 455 space car parking area with access for local buses and taxis. Work will start shortly and the project will be finished in October.

£40m orders won by Turriff companies

TURRIFF CONSTRUCTION has been awarded £40m worth of contracts. Turriff Projects has won £23.4m of design and build work including a £9.2m contract from London and Telford Developments, a subsidiary of Coordinated Land and Estates, to build six steel-framed office blocks with brick cladding in Central Park, Telford. The development will consist of five two-storey blocks and one four-storey block with the company also being responsible for the major internal work.

At Salford, St Modwen Developments has awarded a £4.8m contract for 43 single and four-storey steel framed industrial and commercial units.

At Telford a £3.7m design and build contract has been negotiated for a joint venture between Turriff and Chartered West L B. Further contracts at Telford include a £2.5m contract for a warehouse with office and ancillary areas for NEC Technologies (UK) and a three-storey office block for *Telford Development Corporation* valued at £1.7m.

Turriff Midlands has obtained £8.4m orders including a £1.7m contract from West Midland Regional Health Authority for the pre-fabricated aluminium overcladding of Russells Hall Hospital at Dudley.

Overley Properties (Heron Hi-Tech) has awarded a £1.4m contract for the construction of a mixed terrace of two to four-storey offices with undercroft and surface parking.

Redditch and Walsall metropolitan councils have each awarded £1.1m contracts: at Redditch for 35 sheltered dwellings and at Walsall for the extension or relocation of poll tax offices around the borough.

Building business facilities in Harlow

WATES CONSTRUCTION (EAST) has been awarded a £12m contract for Phase 1 of the Harlow Business Park by Harlow Business Parks, a subsidiary of ARC Properties. The park will be situated adjacent to the M11.

Phase 1 comprises four low density individual office units totalling 15,400 sq metres. The units will have an in situ concrete frame with a structural steel roof on pad and beam foundations.

Carlisle courts complex

LAING NORTHERN, part of John Laing Construction, has won several contracts worth more than £9m. The company begins work shortly on the Carlisle combined courts centre for the Property Services Agency.

The contract, worth £8m, involves the building of four courtrooms, a registrar's chamber plus offices, library, judges chambers, jury and witness areas, custody area, dining facilities and other ancillary accommodation. Construction is scheduled to last two years.

The building will be supported on bored cast in situ pile foundations and has a reinforced concrete frame up to second floor level with structural steel frame thereafter. The contract includes mechanical and electrical services and external works.

Also in Carlisle, the company has won a contract worth nearly £500,000 from Carlisle City Council to modernise some local housing.

Northumberland County Council has awarded a contract, worth nearly £600,000, for the refurbishment of Hepscott Park in Morpeth. The small works team has started work on a £260,000 contract to refurbish a shopping mall in Cramlington for Cramlington Investments.

APPOINTMENTS

Treasurer of Ford of Europe

■ Mr Henry Wallace has been appointed treasurer of FORD OF EUROPE. He was previously a finance director for Ford of Europe Product Development and succeeds Mr William Cosgrove, who has taken up a senior post with the company in Brazil.

■ Mr Nicholas Cumber, managing director of Kode Computers, and Mr Alex Ross, managing director of KAM Circuits, have been appointed to the board of KODE INTERNATIONAL as executive directors.

■ Mr A.H. Clifton has been appointed managing director of COMMERCIAL UNION ASSET MANAGEMENT from March 1. He was managing director of RBC Dominion Securities International, and succeeds Mr M.A. Evans who becomes deputy chairman, and as general manager (investments) of the Commercial Union Group assumes additional responsibilities.

■ LESSER LAND has appointed Mr Steven Burton as development director. He was development surveyor at *Taylor Woodrow Property Co.*

■ BUCK & HICKMAN, a member of the P&O Group, has appointed Mr Peter Lazenby to the board as commercial director. He was commercial manager.

■ Mr David Mizen has been appointed director, dealing services division, NATWEST STOCKBROKERS, to be responsible for sharedealing services through the branch network, including the Touchscreen service. He was customer services director at Barclayshare.

■ Mr Brian Kennerley has been made managing director of PHILIPS WHIRLPOOL MAJOR DOMESTIC APPLIANCES from March 1. He rejoined the company a year ago as commercial director.

■ LAWSON MARDON GROUP has appointed Mr Peter L. Hippett as financial director, LMG York, from April. He is financial controller of the group's flexible packaging division.

■ HOARE GOVETT CORPORATE FINANCE has appointed Mr David Reed as a director heading the new cross-border mergers and acquisitions team, and advising on take-over defence. He was with Prudential-Bache.

■ ALTOS COMPUTER *SYSTEMS* has appointed Mr Colin Goble as managing director. He joins from the company's corporate *headquarters in California.*

Manufacturers Hanover sets up media unit

MANUFACTURERS HANOVER has set up a new unit in London to meet the needs of European media companies. It will be headed by Ms Joan M. Fitzgibbon, a senior vice president, transferring from a similar unit in the company's North American division. Joining the new unit are Mr Todd Plunkett, assistant vice president, Mr Stuart Marshall, vice president, and Mr Richard Bridgwood, manager of Manufacturers Hanover Trust Co in London.

■ TAY HOMES, Leeds-based housebuilder, has appointed Mr Richard Hanwell as a *non-executive director. He was* formerly chief executive of Norton Opax for seven years.

■ BEAVERCO, specialist foam and consumer products manufacturer, has appointed Mr Geoffrey Gurling as divisional director of the consumer division responsible for Aronstead, Body Sculpture, Headway and Frameway. He joins from Wilkinsons Furniture where he was production director.

■ SILVERMINES GROUP has appointed Mr John O'Neill as its full-time executive chairman. Mr Padraic Burke and Mr Clem Jansen have become executive directors.

LADBROKE GROUP has appointed Mr Michael Hirst *(above) as chairman and chief* executive officer of subsidiary Hilton International Co. He is a director of Ladbroke, and was deputy chief executive officer of Hilton. Mr Hirst succeeds Mr John Jarvis who will be leaving the group next month to start his own UK *hotel business.*

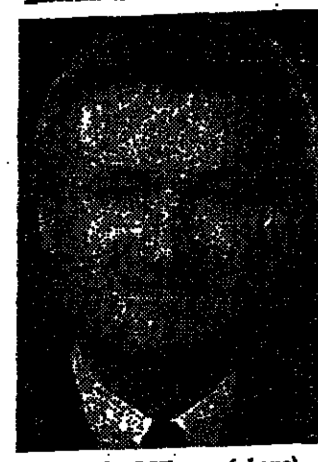
■ NU-AIRE, Caerphilly, has appointed Mr Gordon Bareham to the board as sales and marketing director.

■ Mr Chris Romer has been promoted from managing director to executive chairman of CENTURY ALUMINIUM CO, and Mr David Holden moves from financial director to managing director. The company is part of the Hydro Aluminium Group.

■ FULCRUM GROUP has *appointed* Mr Michael Goldin as head of research. He was with City Research Associates. Mr Tom Carney becomes marketing director. He was with Dewe Rogerson.

■ Mr Roger Farrance, deputy chairman of the Electricity Council, has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY's health *and safety policy committee.* Mr Christopher Hampson, a director of Imperial Chemical Industries, becomes chairman of the CBI's environment committee.

■ BAIN CLARKSON, part of Inchcape, has *appointed* Mr Thomas G.V. Roberts as chairman of its marine and energy divisions. He was with Leslie & Godwin, and *joins* the boards of Bain Clarkson, and Bain Clarkson International.



Mr Manfred Nissen *(above)* *has joined POLLY PECK* INTERNATIONAL as director-leisure division. He was previously with Swissair Nestle Swissotel where he was president and chief executive.

■ HERON INTERNATIONAL has *appointed Mr David* Hall as commercial director for Heronfreight, the group's distribution division. He joins from Christian Salvesen where he held a similar post.

■ Mr Peter Pordage *has* been appointed company secretary of *R. MANSELL*, Croydon.

■ Lord Waterpark has been appointed chief executive of *CSE AVIATION, Oxford.*

■ Mr Louis Sherwood, former chairman and chief executive of Gateway Foodmarkets, has been appointed a non-executive director of BRITISH FUELS GROUP.

■ Mr Swarup Choudhury has been seconded for two years from HongkongBank to MIDLAND BANK's corporate banking centre in Leicester, where his duties will include discussing financial matters with the local Asian business community. He was a corporate banking manager with HongkongBank in Madras, India. HongkongBank has a 14.9% investment in *Midland.*

■ BRITISH AEROSPACE has appointed Miss Frances Elliott as director of government affairs. She was policy and government relations director of the Rover Group.

■ ARGOS, part of B.A.T. Industries, has appointed Mr John Hampson as director of distribution, and Mr Terry Wardle as director of stores.

■ Mr Robert Wood has been appointed to the new role of managing director-PLAXTON GROUP. He has been chief executive since 1985.

■ Mr Nicholas Morrill and *Mr Mark Johnson have* been promoted to directors of RUTLAND CORPORATE FINANCE.

■ Crane and excavator manufacturer, R-B (LINCOLN), a wholly-owned subsidiary of the Lincoln Industries Group, *has appointed Mr Alan Austin* as manufacturing director.

Braithwaite posts

BRAITHWAITE has appointed Mr D.E.A. Crowe as a non-executive director. He is a senior partner with Gouldens, City solicitors. Following the integration at Andrews Sykes, the group's major subsidiary, Mr John Andrews will retire as chairman of that company from March 31. Mr Peter Webber has been appointed *managing director* of Andrews Sykes, and Mr Andrew Fitton will become non-executive chairman of the company. Mr Andrews will remain a non-executive director of Braithwaite, and a consultant on Andrews Sykes overseas business. Mr Ken Linden-Travers, a director since 1986, will become chairman of Braithwaite from March 1, succeeding Mr John Nutt on his retirement.

ROYSCOT DRIVE, vehicle management services arm of RoyScot Finance Group, has appointed Mr Howard *Pemberton (above)* as managing director. He joins from Dial Contracts, where he was operations director. Previously he held a *similar* post at Swan National Leasing.

ARTS

Racing Demons

COTTESLOE

The Church of England epitomises that very English characteristic of holding unshakable principles apologetically. The traditional rocker of the Anglican boat has been zeal. Significantly, enthusiasm became Enthusiasm, an aberration for our ecclesiastical forebears. But David Hare's new play points out other devils: reticence that congeals into moral neutrality, the unholy alliance between conservative reaction and new-style fundamental evangelism. Add inner-city deprivation and a dash of the gutter press' fascination with the "gay Mafia" and the scene is set for a gentle biopey of the old spinster aunt we still tolerate with amused embarrassment.

This is that tricky thing, a play with a passive protagonist who mostly exists through other people's opinions. Lionel is touching 60. The "middle-class rump" of his south-east London parish complains of his lack of conviction. Not that he is an embryonic Bishop of Durham; indeed, it is hard not to sympathise with his superior's final angry outburst ("great vacillating, pea-green, half-set jelly!").

The characterisation is shadowy but illumines the surrounding figures. These include dumpy, white-haired Harry, loving his young Glaswegian actor but crippled by his generation's inhibitions from showing it – a beautifully restrained performance from Michael Bryant, recalling the single kiss by the river, that sustained him through Cambridge.

The Reverend "Streaky" Bacon wears bicycle clips and quotes the Goons. David Bamber's little paean of joy to the job he loves, ever since his first appointment at Cheam combined litany, music and Gilbert and Sullivan, is touching and funny – not least in his sighing regret at "something deep in the Jamaican character that can't find its way through *The Pirates of Penzance*."

And there is the curate Tony. We first meet him in post-coital evasiveness justifying sex "in the context of long-term commitment." Despairing Frances, the rebel daughter of devout parents, sees through it. "You've got the bug." The bug takes the form of crusading, and betraying Lionel in spite of attempted pressure by the old priest's loyal friends. The play is about decent people fighting doubts, compromising, trying to find the way. "Why do the good always fight among themselves?" someone asks wearily.

Oliver Ford Davies' finely shaded performance as Lionel is handicapped by the character's monumental negativeness and the contrived relationship with Frances (Stella Gonet, bright, reasonable, passionate). On the thrust cruciform stage Richard Eyre's production evokes lovely ensemble playing and exploits the play's dying fall.

Harry is driven to an ex-pat chaplaincy abroad by a gay-bashing Sunday rag. Streaky regretfully offers only limited moral support for Lionel. Barbara Leigh-Hunt, Lionel's stroke-ridden wife, conveys a lifetime of resignation in her rueful rejection of his offered love, "too late." And Tony, depicted by Adam Kotz with the true fanatic's personable but dehumanised plausibility, brings market forces to religion. Richard Pasco resembles no Bishop of Southwark in recent memory, but rings absolutely true in his outraged authority.

Martin Hoyle

Adam Bede

ORANGE TREE, RICHMOND

We can expect a rash of Book at Bedtime theatre as arts budgets are reduced and directors look to safe, out of copyright, material to keep audiences ticking over. But there is no reason to be disparaging about Geoffrey Beevers' enjoyable adaptation of Adam Bede, at the Orange Tree in Richmond for the next month, and then going East – to Sudbury, Kings Lynn and other venues on the Eastern Arts circuit.

Unlike most 19th century novels Adam Bede is concentrated in both plot and characters, making it ideal for a cast of six performing on a space smaller than a boxing ring. George Eliot's genius transforms the most conventional of plots – village maiden seduced by young squire with awful consequences – into a paradigm of Victorian philosophical controversy, enveloping religion, personal morality and her belief in the refining power of suffering.

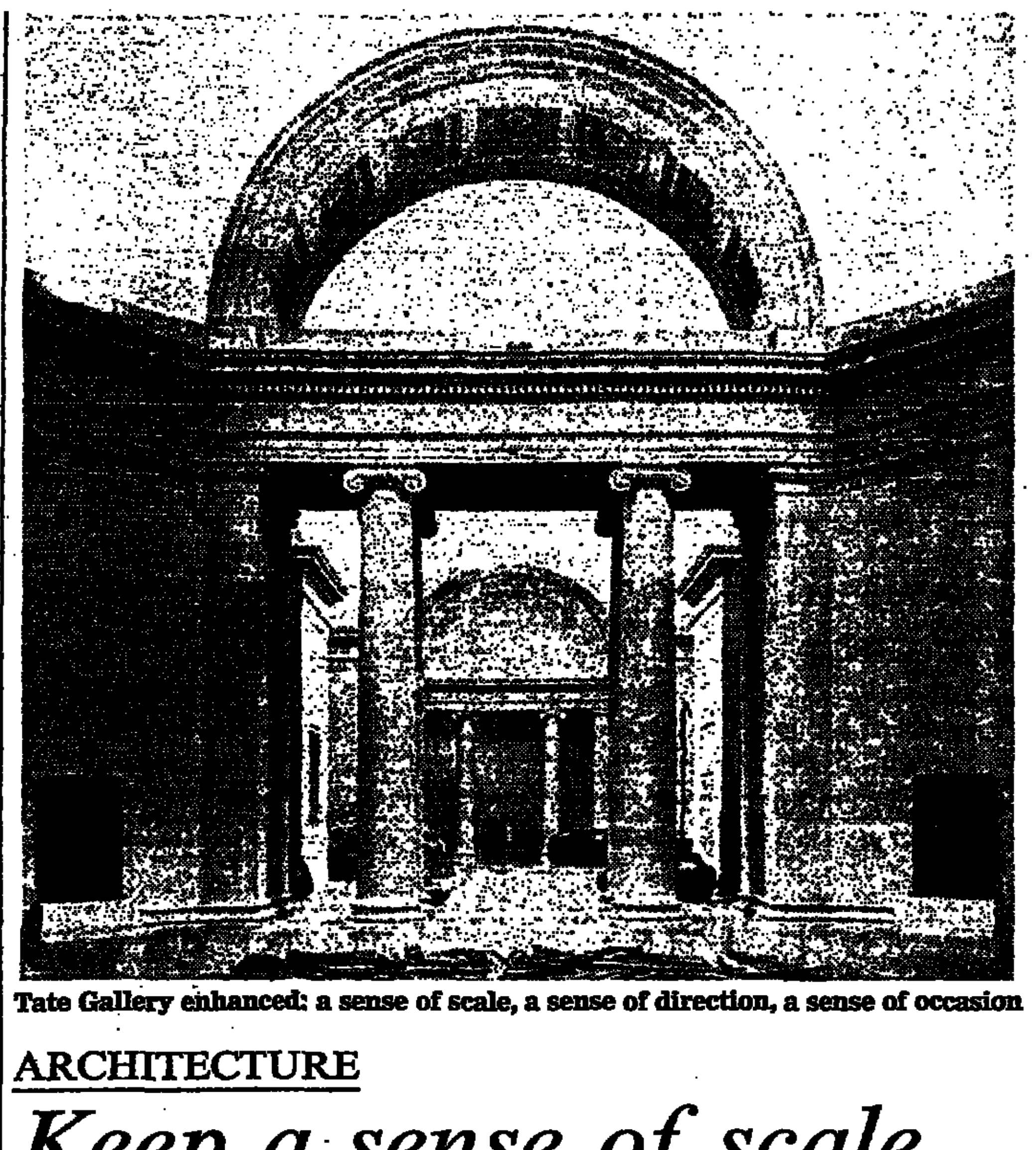
Somehow Beevers, who also directs, conveys the essence of the novel in this three hour distillation. The start is ominous, as selected scenes are ploughed through and then commented on by the actors to make sure the audience is keeping up. But gradually the rigid abandonment of any obvious props, except for late 18th century costumes, fixes attention on the battle between Arthur, the heir to the estate, full of the best of intentions yet easily tempted, and humble Adam, whose committment to a higher morality makes him incapable of sympathising with weaker men. As George Eliot intended, you can't help identifying with the villain.

There is no scope for lazy acting in these cockpit surroundings and the concentration of the actors tightens the emotional screws. The girls come out best. Cathryn Bradshaw as silly Hetty Sorrel allows enough glimpses of the selfishness behind the curls and dimples and is particularly good at suggesting the fatigue in her journey south with her growing burden, while Karen Ascoe as the Methodist preacher Dinah Morris proves that Christian perfection need not be boring. The final scene between the two is quite affecting.

Brian Hickey is commendably big and pigheaded as Adam yet somehow there is not enough tension in the confrontations with Timothy Watson's Arthur. Watson has the thankless task of doubling up as Seth Bede, the least satisfactory character in the novel. For the rest Caroline John plays the older women and David Timson the older men with a relish for the challenge of instant character changes.

Of course the whole thing is simplistic, a cartoon strip flick through five hundred pages of serious novel. But enough remains to project the greatness of the theme, that the tricks fate can play on basically good people demand sympathy from us all, a theme which should produce cathartic tingles all over East Anglia.

Antony Thorncroft



Tate Gallery enhanced: a sense of scale, a sense of direction, a sense of occasion

ARCHITECTURE

Keep a sense of scale

Is there a return to integrity in architecture? This question was prompted not by a new building, but by the recent re-hang of the Tate Gallery in London. Two things are particularly striking about Nicholas Serota's clear and thoughtful rearrangement of the pictures. One is that he has realised that architecture can help in traditional ways by giving a sense of scale, a sense of direction and a sense of occasion. The other is the fact that Serota has sensed the probity of the existing building and enhanced by removal of recent impedimenta. It is a joy to see again the great central sculpture hall looking austere and splendid, free from all the clutter, lowered ceilings and general architectural junk of the relatively recent past.

The spaces given to the Tate by Joseph Duveen senior in 1909, and by his son Lord Duveen in 1937, were designed by William Romaine-Walker. I suspect it was Lord Duveen in 1937 who added the name of John Russell Pope as a consultant architect for the sculpture gallery. Pope was a great American classical architect, best known for the National Gallery in Washington D.C, which remains one of the best galleries in the world in which to enjoy pictures. Early this century architects still realised that if you are to build in the classical manner it is a style that depends on its own integrity. If you muck about with classical architecture you inevitably compromise it. At the Tate, the instant new look has been achieved by a return to basics. In the process of reorganisation the Tate has rediscovered its architect.

Romaine-Walker was a fashionable Edwardian architect who started life articled to George Edmund Street, the architect of the Law Courts. He was responsible for the hall staircase and galleries at Chatsworth, the gardens of Luton Hoo in Bedfordshire and for the enlargement of Knowsley Hall in Lancashire. There is a great air of Edwardian "luxe" about his work, which is partly due to the sumptuousness of the materials and to the consistently high standard of workmanship.

Curiously enough, Serota's architectural eye has brought out what little virtue there is in the 1970's galleries that were added to the Tate by architects Llewelyn Davies, Weeks Forestier-Walker and Bor. As far as is possible on a gridded but flexible plan, a sense of enclosure has been achieved. Again, there is a sense of an intelligent eye at work, and I felt strongly that the more contemporary works benefit most from a more spatially relevant arrangement in these newer rooms.

★

It is sad to report that the very headquarters of the Royal Institute of British Architects could, if large funds are forthcoming, lose the integrity of the design of the 1930's masterpiece it occupies in Portland Place, London, W.1. The Institute plans to build an extension onto the side of the building to house an Architecture Centre which will ruin the integrity of the great hall and the natural symmetry of the staircase. The architects, who won a competition based upon a wrong-headed brief, are the very good firm of Stanton and Williams. Many senior architects feel that this extension is a mistake, particularly in its effect upon the listed building.

There are other arguments against the creation of this Architecture Centre, but the principal one must be that it does not take account of the real national need to rationalise holdings of architectural material in other important collections. The RIBA is only a part of the story of architecture and building in this country. Comparisons of these proposals for what the Director General calls "a genuine architecture centre" with examples of equivalent new centres in Europe and Canada show up their parochial and inadequate nature. It is hard to see the point of a scheme which can never house a growing collection adequately.

★

One practising contemporary British architect who demonstrates integrity in all of his buildings is Norman Foster. His airport buildings at Stansted are certain to be much admired for their dignified clarity. It is also good news that Foster Associates has been chosen for the new library of the Cranfield Institute of Technology. The Institute is the largest centre for applied research and development for industry and defence in Western Europe, and the library will be one of the first to incorporate non-printed information technology as a crucial part of the design.

★

It looks as though a major potential benefit for London's Docklands is about to be lost. In 1982 the Museum of London launched the idea of a Museum of Dockland history, to be sited in Docklands. Collections of international significance have been gathered together about the history of the greatest docks in the world and some eleven staff have been working on the project for the past eight years.

Progress had been made on finding a home for the collections at West India Docks and to date total revenue support has reached £3m. Quite suddenly the key supporter and revenue provider, the London Docklands Development Corporation, has withdrawn support. This seems incredibly short sighted, particularly as the LDDC has, until now, seen the point of fostering the community interest in the recent past as well as some of the dock buildings. The history of the Port of London has the potential to make a great museum which would be folly to sacrifice. Why waste the collections and the expertise in the interests of saving a relatively modest sum of money? The integrity of the LDDC's commitment seems to be very much at stake.

Colin Amery

Don Giovanni

QUEEN ELIZABETH HALL

Opera Factory London Sinfonietta have reached the second part of their Da Ponte trilogy – due for completion next year, during the Mozart 200th anniversary shindigs. David Freeman's views of the operas he undertakes are almost always expressed in productions of forcible conviction and dramatic definition (the beach-picnic setting for the first part of the OFLS trilogy, *Cosi fan tutte*, has already gained its own fame). The last thing one expects from any of his shows, indeed, is the neither-here-nor-there quality manifest in this new *Don Giovanni*.

It has distinct merits. On the QEH stage, with the orchestra to the left of a single set (designer: David Roger) made of connected galleries, the presentation is swift, uninterrupted by conventional pauses or hitches, fleet and natural in its delivery of recitative, and trimly economical – as ever, the limitations on stage machinery and the absence of wing space have been turned to advantage.

Paul Daniel conducts a keen, forward-moving account of the score, on a level (in all senses) with the stage action, even if on Saturday he quite often missed the opportunity offered by the special aural and physical "close-up" to tighten the screw of drama through concentration on harmonic and textural surprise. The absence of the two stage orchestras in the first-act finale is always disappointing. (The decision to perform the work not in the usual conflated form but in its second, Vienna, version is at once an interesting idea and a mistake: the first, Prague, version is much tighter.)

By a cast of stage-wise principals and a brilliantly athletic chorus (who double as funerary monuments and naked statues in the final scenes), the opera is sung with the kind of straightforward conviction that makes the absence of really beautiful solo instruments easy to forgive. In Nigel Robson's Ottavio and Marie Angel's Anna one admires two idiosyncratically produced voices used with uncommon assurance of style and musical authority; Christine Bunning's vigorous, slightly edgy Elvira brings tremendous attack to "Mi tradi".

As a new look at *Don Giovanni* – and, given the "committed" stand trumpeted out by the company, one is entitled to expect no less – it doesn't begin to measure up. There is, it seems to me, a central lack of intellectual cogency. Bits and pieces of thematic underlining – the influence of the *commedia dell'arte*, the image of the bull-ring, the repeated reference to fandango – are essayed, in an easy-going, take-it-as-it-comes style that throws up passing moments of raucous good humour (often taking the form of floor-level rutting or reaching into bodices and under skirts, all of it as predictable and un-erotic as apple pie) at the expense of focus on the opera's larger issues.

The nearer the production gets to *commedia dell'arte*, in the characters of Don Giovanni (Omar Ebrahim) and Leporello (Clive Bayley), the further it strays from interesting perceptions about character: in this of all operatic networks of linked destinies one is entitled to seek, for instance, a sharper view of the central master-servant relationship than one largely enacted in jolly knockabout. There is a surprisingly old-fashioned air to much of the action – it's a long time since one has seen your actual bubbly poured during the misnamed "Champagne aria" – which chimes all too well with the bright-coloured motley Spanishry of the costumes. The resolution of the Act 1 finale is ludicrously fudged.

This is a churlish, nit-picking response to a production whose unceremonious manners and honest musical delivery will give pleasure to many. I simply found it rather ordinary, and can't conceal my disappointment.

Max Loppert

Alastair Muir

Marie Angel

Othello

BRISTOL OLD VIC

A great tragedy or merely a demonstration of the unreliability of circumstantial evidence? *Othello* always veers between these two poles. The current Britstol Old Vic production, directed by Paul Unwin, gathers momentum after a slow start, but it is some way from tragic inevitability. If the essence lies in a clash of culture-codes, then Unwin's casting could not be better. Othello is Jeffrey Kissoon, an Indian born in Trinidad of British nationality, who studied drama at a teacher training college in Warwick. On stage he radiates dignity and power, as anyone who saw him recently as Karna on television in Peter Brook's production of *The Mahabharata* will recall. Massive, implacable, white-robed, he booms out the stately lines in a rich baritone. We do not doubt him when he tells us that "with this little arm and this good sword I have made my way through more impediments than twenty times your stop".

Iago is Jack Klaff, a tall white good-looking South African exile, a writer and performer in one-man shows. He plays the Ancient utterly deadpan without ever changing the expression on his face. There is a tiny hint of a smile when he is led off to jail and he observes the spread-eagled corpses on their conjugal death bed. He dispatches the fleeced Roderigo (Kevin Doyle) with a twist of the knife as dispassionately as if he were switching off the engine of the car. He does not so much act the role as enunciate it. He gives us the diabolical strategy clearly enough, but not the fiendish energy that goes with it.

In the middle is the Desdemona of Melanie Thaw. It is as if you were to put a pretty English schoolgirl between an iceberg and a slowly erupting volcano. However, she begins to establish a presence on arrival in Cyprus where her blissful sense of fulfillment at having married the man of her choice changes into a display of childish petulance in failing to get her way over the reinstatement of Cassio (Sean Murray). She is certainly no match for this Moor. Her obedient surrender to his death-threat is all too plausible.

Rightly, surely, Unwin sees the play as a series of one-to-one confrontations. He clears the stage of extraneous clutter. For the set Tim Reed has designed a bare brick wall on which there is a damaged Renaissance fresco, and nearly all the rest is done by lighting. Pitch darkness frames the principals who stand in pools of illumination centre stage where we can observe their reactions minutely.

Strikingly so in the great temptation scenes where Othello and Iago loom like two white apparitions shadowing each other; and again in the bridal chamber where in a flurry of plumped-up pillows the full horror of the smothering confronts the audience head-on.

The inner curtain that has from time to time to be drawn leaving performers stranded downstage seems an unfortunate interruption of this effective staging. The uniforms of the officers in the Venetian army appear to have come from the land of Ivor Novello but these are gradually discarded and the actors really begin to show their muscle.

This is a worthy, ambitious performance of a difficult play.

Anthony Curtis

ARTS GUIDE

February 9-15

MUSIC

London

Royal Philharmonic Orchestra conducted by Enrique Batiz, Kun Woo Paik (piano). Mozart, Prokofiev, Tchaikovsky, Strauss (Wed). Royal Festival Hall. (928 8800).
Fretwork and Paul Nicholson Consort Sett for violas and organ. Lawes, Purcell (Thur). Purcell Room, Royal Festival Hall. (928 8800).
BBC Concert Orchestra conducted by Sir Charles Groves with Brenda Lucas, Peter Donohoe, Moura Lympany, Gordon Fergus-Thompson (piano). Elgar, Ogdon, Liszt, Chopin, Rachmaninov (Thur). Barbican (638 8891).

Brussels

RTBF Young Soloists Ensemble conducted by Georges Dumortier with Daniel Rubenstein (piano) play Albinoni, Grieg, Mozart, Tchaikovsky, Vivaldi (Fri). Royal Music Conservatory.
Vox Populi concert displaying different singing techniques with the Soviet Women's Chorus, Tran guang Hai, Mireille Capelle and other soloists. Palais des Beaux-Arts (Tues).
Hans Memling Trio and the new Belgian Chamber Orchestra wind ensemble. Beethoven, De greef, Gounod, Hendrickx and Schubert. Palais des Beaux-Arts (Mon).

Paris

Pierre Amoyal, Alexis Weissenberg. Brahms: three sonatas (Mon). Salle Gaveau (45632030).
Valery Afanassiev (piano). Schubert Sonatas (Mon). Théâtre des Champs Elysées (47203637).
Ensemble Orchestral de Paris conducted by Mario Venzago, Annick Roussin (violin): Schoenberg, Haydn, Mozart (Tue). Salle Gaveau (45632030).
Orchestre National de France. Schoenberg, Brahms (Thur). Théâtre des Champs Elysées (47203637).
Orchestre de Paris conducted by Zubin Mehta, Doris Soffel, mezzo-soprano, Orchestre de Paris' women's choir conducted by Arthur Oldham with the Maitrise des Hauts-de-Seine: Mahler's 3rd symphony. Salle Pleyel (45630796).

New York

Philadelphia Orchestra conducted by Riccardo Muti, with Patricia Schuman (soprano) and the Westminster Choir directed by Joseph Flummerfelt. Pergolesi, Cherubini (Mon). Carnegie Hall (247 7800).
New York Philharmonic, Erich Leinsdorf conducting: Haydn, Bruckner (Tue); Erich Leinsdorf conducting, Yefim Bronfman (piano): Prokofiev, Virgil Thomson, Tchaikovsky (Thur). Avery Fisher Hall (874 6770).
Emerson String Quartet. Beethoven (Thur). Grace Rainey Rogers Auditorium of the Metropolitan Museum of Art (570 3949).

Milan

Jurij Bashmet (violin) and Mihail Muntian (piano) playing sonatas by Schubert and Hindemith and Benjamin Britten's Lacrymae (Mon). Teatro Alla Scala (80.91.26).
Bella Davidovich (piano), playing Tchaikovsky, Scriabin and Rachmaninov (Wed). Conservatorio G. Verdi (76001755).

Rome

Aldo Ciccolini (piano). Ravel and Franck (Wed). Teatro Olimpico (393304).
Michel Plasson conducting three works by Ravel (Mon, Tues). Auditorium in via della Conciliazione (6541044).

Frankfurt

Alfred Brendel piano recital. Haydn, Brahms, Weber, Mendelssohn and Beethoven (Thur). Alte Oper.

Berlin

Berlin Philharmonic Orchestra conducted by Carlo Maria Giulini. Schumann, Mussorgsky and Ravel (Thur). Philharmonie.

Chicago

Chicago Symphony Orchestra. Neeme Jarvi conducting, Lorin Hollander (piano). Kodaly, Saint-Saens (Thur). Orchestra Hall (435 6666).

Tokyo

Tokyo Metropolitan Symphony Orchestra conducted by Emanuel Krivine. Mozart programme. Suntory Hall (Mon). (823 0727).
John Scott (organ). Bach, Mozart, Liszt, Widor. Suntory Hall (Mon, Wed) (505 1010).
NHK Symphony Orchestra with Gunther Hogner (horn) playing Strauss. NHK Hall (Wed, Thur) (465 1781).
Shura Cherkassky (piano). Bach, Weber, Chopin, Berg, Stockhausen, Suntory Hall (Thur). (289 9999).

Daniel Lanois

FESTIVAL HALL

Daniel Lanois's pedigree as a record producer is impeccable – with credits for U2's *Unforgettable Fire* and *The Joshua Tree*, Peter Gabriel's *So* and Robbie Robertson's solo debut, he had a hand in some of the most distinguished albums of the late 1980s. Last year, as well as overseeing Dylan's *Oh Mercy* and the Neville Brothers' joyous *Yellow Moon*, Lanois made a first collection of his own, *Acadie*, in which the exploration of his French-Canadian roots revealed a protean talent, by no means evenly spread between the styles, but at its best thoroughly fresh and distinctive.

On Thursday his *Acadie* concert tour reached London. The album itself was predictably well made, and Lanois had been able to draw upon his roster of collaborations for personnel – half of U2, assorted Nevilles, Brian Eno et al. On tour he appears with just three musicians, all of them – Malcolm Burn, Ronald Jones, Daryl Johnson – seasoned sidesmen. Yet the cool smoothness that is one of *Acadie's* strengths took a while to settle down; the Festival Hall must be hard work for a rock band, and as Lanois pointed out, it was the first venue on their tour in which all the audience was seated.

Though he interleaved some straight rock and roll and r and b between the numbers from his album, Lanois seems at heart a folk singer, moving easily between French and English, and firmly fixed in a Canadian tradition reaching back through Neil Young and Joni Mitchell. His studio background, though, leaves his work with fewer raw edges; there are some arty, "New Age" sonorities, haunting backdrops to some of the songs, and the occasional twist of over-sophistication that reinforces the mawkishness of some of the lyrics. At those moments his voice is unnervingly close to Neil Diamond, elsewhere he verges on Bono-like preaching, and one ballad (not included on the album) was so nauseous and full of grating half-rhymes that one waited in vain for the witty put-down that never came.

Alongside those few miscalculations, though, Lanois sets beautifully pointed songs like "O Marie" "Jolie Louise" and "Ice" and folk-rock numbers like "Under a Stormy Sky", in which his personality comes into sharper focus. Whether he continues to develop as a solo performer or, having made his point, will be content to retire back behind the mixing desk is hard to guess.

Andrew Clements

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Monday February 12 1990

Banking on Mr Mandela

FOR NEARLY 30 years, Mr Nelson Mandela has been an imprisoned symbol of opposition to apartheid. Now at liberty, he could act as a catalyst in a process that could bring about the end of white minority rule in South Africa. In the eyes of the world, as well as the anti-apartheid movement inside the Republic, the release of the African National Congress (ANC) leader has been an acid test of President F W de Klerk's commitment to change. Yesterday's courageous step, taken 10 days after Mr de Klerk lifted the ban on the ANC, deserves an encouraging response from the West.

Opinion has always differed about the merits of economic and other sanctions against South Africa. The British Prime Minister, Mrs Margaret Thatcher, has argued that they impoverish blacks, and push whites into the laager. Other Western leaders maintain that the increasingly high price of white rule is one of the factors that impelled ex-President P W Botha and his successor towards the negotiating table. Recent developments, including President de Klerk's election success last September on a platform of reform, and his actions of the last few days, bear out the latter view.

The proponents of both schools of thought might come to agree that it will soon be time to give white South Africa some encouragement, while keeping sanctions at the ready should Mr de Klerk start dragging his heels. Mrs Thatcher is arguing in favour of freeing new direct investment in South Africa; the European Community, whose policy is against such investment, may prefer to observe the events that follow Mr Mandela's release before it accepts her arguments. US sanctions, imposed by Congress, can only be lifted when various preconditions are met.

Consensus

Thus there is an emerging consensus in favour of a link between the step-by-step lifting of sanctions, and progress at the all-party talks which should now become possible if peace is maintained. This would affect both sides: the ANC cannot rely on the indefinite maintenance of sanctions by governments if the South African government starts to dismantle apartheid and takes a reasonable negotiating stance. In the immediate future, yesterday's call by Mr Mandela for a continuation of sanctions may have a powerful effect on world opinion. The most effective sanctions, those of the marketplace, will be removed when there is evidence that a peaceful settlement will be reached, and stability is ensured. Police attacks on crowds over the past few days are a step backwards; such events, and minor looting, marred the reception of Mr Mandela in Cape Town.

Transition

No man could do more to ensure that constitutional talks succeed than Mr Mandela, whose stature is matched only by the immensity of the task that awaits him. The talks should have as their objective a stable transition to a non-racial South Africa, in which the tragic inequities created by four decades of apartheid are redressed, while minority rights are protected. He will not be the only African leader at the negotiating table. But he alone, as the most potent black nationalist leader the continent has seen, has the authority that could allow him to stand above the fray and set about the urgent task of reconciliation. Yesterday, in calling for a continuation of the "armed struggle" until the state of emergency is lifted and all political prisoners are released, he was appealing directly to his ANC-based constituency.

Mr Mandela has also been attempting to mend the rift in black politics, with its dangerous tribal undertones. This is at its worst in Natal. At the same time, he must resolve the stresses within the ANC. The organisation's response to Mr de Klerk's initiative has often been confused, highlighting the fact that its membership ranges from the influential Communist Party to a conservative brand of African nationalism. To stand above these tensions and preside over a pragmatic but honourable solution for South Africa will prove as daunting a test of Mr Mandela's resolve as his 27 years in jail. His release is only a beginning.

A currency for Mr Kohl

THE TIDE of events in Eastern Europe has imparted an irresistible momentum to the timetable for German reunification and the decision last week by the West German Chancellor Mr Helmut Kohl to abandon his government's step by step approach to currency union with East Germany is one more case in point. Few doubt that a move towards a currency union is an essential component of wider economic integration. But a nervous bond market appeared last week to be signalling that Mr Kohl's political instinct for prompt action might entail significant economic risks.

The proposal to speed up the move to a currency union, which will be put to the East German Prime Minister Mr Hans Modrow in Bonn tomorrow, appears to have been prompted by the rapid deterioration in the East German economy. The flow of immigrants from East Germany is already running at up to 3,000 a day. As well as causing industrial disruption in the East, the migration has led to predictable social tensions in the Federal Republic. With an election looming later this year Mr Kohl has been under considerable pressure to find ways of staunching the flow. The question is whether his gesture on currency union will provide sufficient reassurance to persuade East Germans to unpack their bags and stay at home.

Among the many reasons for the heavy immigrant traffic is the fear of what price reform might do to East German living standards. The Poles have already suffered savage real wage cuts; and the existence of a monetary overhang in East Germany, as in other eastern European economies, causes people to worry that the rate at which East German marks will ultimately become convertible into D-Marks will render their savings worthless.

Acceleration

By offering East Germans the prospect of favourable access to the D-Mark, Mr Kohl has undoubtedly raised hopes and expectations. And since it is inconceivable that the Bundesbank would not have control over the implementation of monetary policy in a new currency union, the West German Chancellor has, in effect, proposed a very significant acceleration in the reunification process. Yet there are some daunting tasks ahead.

Until East Germany has a banking system its money supply cannot be controlled. The price system is wholly unreformed. And no constructive negotiation can anyway take place until after the East German election on March 18. Small wonder that the bond market is nervous. It has rightly perceived, as Credit Suisse First Boston bluntly put it in a recent circular, that East Germans will have to be bribed to stay. The only question concerns the form that the bribes ultimately take.

Convertibility

If the money is to come from the West German government there may be pressure on bond yields because the government is more likely to resort to borrowing than to higher taxes in an election year. Currency convertibility, on the other hand, involves a different set of risks. If the exchange rate between East and West is fixed at a level that imparts some value to East German savings, those savings would be spent on Western goods, so adding to inflationary pressure in an economy that is already running close to capacity. An over-generous rate might also bankrupt East German industry and destroy its comparative advantage if companies were suddenly forced to pay West German wages.

Yet the inflation risk can be exaggerated. Bundesbank President Mr Karl Otto Pöhl, a conspicuously reluctant convert last week to Mr Kohl's accelerated timetable, emphasised on Friday the small scale of the East German economy relative to the Federal Republic; and on most plausible assumptions the size of the likely monetary expansion looks manageable. Financial ingenuity will still be required to give currency union genuine appeal in the East while minimising the inflationary cost to West Germans. On this latter score the Bundesbank's record inspires confidence. But it also points to a more painful interest rate regime for the rest of Europe, and to increased stress in the European Monetary System.

Patti Waldmeir reports on South Africa after Nelson Mandela's release

After 27 years in detention, Nelson Mandela leaves prison near Cape Town accompanied by his wife Winnie

The road away from Armageddon

In the three centuries since Europeans first came to the Cape in 1652, black South Africa has never known a finer hour.

Yesterday the man who has become an icon of African liberation, Mr Nelson Mandela, walked amongst the people of South Africa for the first time in 27 years. It was a triumph equal to the Voortrekkers' defeat of the Zulus at Blood River in 1838 – and an event which could transform the consciousness of the black nation as Blood River transformed the Afrikaner.

Apartheid will not end with the release of Mr Mandela, the leader of the African National Congress (ANC), jailed for life in 1964 for plotting to overthrow the Afrikaner state. And Mr Mandela may never take the role his supporters wish, the leader of a non-racial South Africa.

Indeed, his first day at liberty proved a less than auspicious start. Tens of thousands of people waiting for his arrival on Cape Town's grand parade grew restless when he did not appear for nearly five hours. Some turned to looting, and police responded with birdshot, leading to deaths and injuries. Rather than the dawn of a new era, yesterday seemed to herald a period of turmoil.

But the release from prison of Africa's most famous freedom fighter has none the less set South Africa on a road which must inevitably lead to the abolition of apartheid, and thence to black majority rule. The National Party has made no more momentous decision in 42 years in power. South Africa will never be the same again.

For in the past year, since Mr F W de Klerk took over as party leader, a revolution has taken place in National Party thinking. For the first time, the leadership of the party appears genuinely committed to bringing peace to South Africa – and with it, black majority rule with a minimum of guarantees for whites.

The alternative, says Mr de Klerk, elected President last September, is a "great Armageddon."

"If this Armageddon takes place," Mr de Klerk warned in a speech to senior policemen last month, "if blood flows ankle-deep in our streets and 4m or 5m people lie dead, the problem will remain exactly the same as it was before the shooting started."

He told South African television viewers last week that his Government would not repeat the mistakes of Rhodesia (now Zimbabwe). "They waited too long before engaging in fundamental negotiation and dialogue . . . we are determined not to repeat that mistake," he said.

The horror of Mr de Klerk's apocalyptic vision appears to have inspired him to do what only weeks ago would have been unthinkable: legalise the ANC, banned in South Africa for 30

Mr Mandela's release has set South Africa on a road leading to the end of apartheid and black majority rule

years; lift restrictions on hundreds of other activists and organisations; and release those political prisoners who have not committed violent acts. He announced those moves 10 days ago.

In the coming months and years, Pretoria seems likely to go much further yet: to lift the three-year state of emergency, release remaining political prisoners, and negotiate a new democratic constitution with blacks.

That constitution may well take final shape only after years of negotiation; but for the first time, there are signs that the National Party will not insist on a white veto which prevents rule by the black majority.

The party is still struggling to find a constitutional model which will answer its concerns about black domination. This might involve a two-tier legislature with disproportionate representation for whites in the upper house; the system might be structured to allow whites a veto over essential changes to the constitution.

But senior party officials say they would accept a majority rule constitution, so long as it guaranteed a multi-party democracy, basic human rights and freedoms, and – crucially – an economic system based on free enterprise.

What used to be called "group" rights – and are now referred to as "minority" rights – might be protected by allowing, for example, a private educational system organised on cultural lines. Thus while the state school system would be integrated (though in fact largely black), the private system would make provision for Afrikaans-language schools which would be largely white.

The convulsions in Eastern Europe have played a big part in bringing about Pretoria's change of heart. The sight of authoritarian regimes toppled by people's power "will not have been lost on our black masses," one senior party official confided. Officials argue that the demise of communism has left the ANC with no ideological ground to stand on – and removed its main source of financial and moral support.

Whatever the reasons, the Nationalists have travelled an extraordinary philosophical distance in the past year. Yet there is no guarantee that the transition can be managed peacefully, and at a pace which South Africa's shell-shocked whites can be brought to accept.

The far right Conservative Party, which won 31 per cent of the vote in the last election, has said it will mobilise 1m whites against the Government, and stage protest marches and strikes which could cripple essential services. And violence from the right, directed against Mr Mandela or Mr de Klerk, cannot be ruled out.

Thus Mr Mandela will play a key role in smoothing the transition. The Government is counting on him as a moderating force in the constitutional talks which must now begin.

For months already he has been acting as a "facilitator": meeting numerous Government ministers, and two State Presidents, to smooth the path to talks. He may be called on to carry on "facilitating" when the hard bargaining begins – perhaps acting as chairman of the negotiations and even, eventually, serving as President of an interim government with Mr de Klerk as Prime Minister.

If Mr Mandela, already 71, is ever to sit behind the President's desk in the Tuynhuys, the negotiations will have to move swiftly indeed. Yet for the moment, the anti-apartheid opposition seems ill-prepared for talks.

The reforms announced on February 2, and the release of Mr Mandela, appear to have caught the ANC, and the internal black opposition, off-guard. Some members of the ANC executive reacted by suggesting talks might soon begin; but others ruled them out until further conditions are met. And all the while, ANC military leaders continue to preach intensification of the armed struggle – despite a strikingly candid admission from the ANC President, Mr Alfred Nzo, last month, that the movement lacked the capacity to step up military action.

It seems clear that, if talks began now, the ANC would enter them in a state of confusion and weakness: not only are the movement's traditional backers in Eastern Europe deserting it, ideologically and financially; but the international sanctions machine has been stopped in its tracks by what South Africans call "Pretoria-stroika".

Prominent voices from the left – including the exiled poet, Mr Breyten Breytenbach, who served seven years in prison for "terrorism" – have warned that the ANC may be outmanoeuvred by Pretoria. "We have at our fingertips the chance of an historic compromise," Mr Breytenbach said in an article published in London. "If we now dither and quibble . . . we shall find time seeping through our fingers."

While the ANC in exile is working out a response, its internal wing, the United Democratic Front (UDF), has criticised Pretoria for trying to "demobilise the masses." UDF leaders say they are planning mass protests to force a rapid transfer of power. Their statement highlights differences between Mr Mandela – who appears to favour a gradual political transition – and the more radical path preferred by some leading activists.

Signs of serious difference have been apparent for months, since it was learned that Mr Mandela had been meeting Government officials. Indeed, the notion that he was conducting secret talks with Pretoria from his prison bungalow – consulting the ANC, for the most part, only after the fact – has caused consternation and resentment.

He recently drew up a 10-point plan for a future South Africa which is understood to have included some form of guarantee for minority rights – a concession which is vehemently opposed by most anti-apartheid activists. And he is thought to be willing to accept an interim period of power-sharing with Pretoria.

Grumblings within the ANC over Mr Mandela's conduct in jail reflect concern among young blacks, who gained their political education on township streets in the mid-1980s. Yesterday, Mr Mandela's forthright assertion of ANC policies – including a commitment to the armed struggle – may have quietened the rumblings. But Mr Mandela, like President de Klerk, has to address a number of different constituencies, and the coming weeks will tell whether as negotiations unfold he will prove more conciliatory than his robust speech yesterday at first sight suggests.

In fact, the younger generation may well be right to see Mr Mandela as a relative moderate; Mr de Klerk would probably never have released him if he did not think that was so.

For Mr Mandela belongs to a generation of African nationalists who do not, on the whole, share the radical aims of the South African Communist Party – which dominates the ANC executive, and commands a strong following within the internal Mass Democratic Movement (MDM). Despite a recent statement issued in Mr Mandela's name by the MDM, the ANC leader's views on economic policy – may well remain flexible. The statement reaffirmed Mr Mandela's support for the ANC's 35-year-old policy of nationalising banks, mines and key sectors of the economy. But recent visitors say he sees the merits of a free market economy, and believes that nationalised industry cannot create the jobs needed by South Africa's rapidly growing population.

Born a prince of one of the Transkei's traditional ruling families, Mr Mandela is a lawyer by training. He led thousands of peaceful protesters in what became known as the "defiance campaign" of 1952. Yet by 1961, he was despairing of non-violence and helped form the ANC's military wing, Umkhonto we Sizwe (Spear of the Nation). He was trained as a guerrilla in Algeria.

During his 27 years in prison (he was jailed in 1962 after 17 months underground), Mr Mandela has gained a reputation as a consummate politician – an image furthered by the mystery which surrounded him as a prisoner. Very much the elder statesman, he has tried to placate Zulu Chief Mangosuthu Buthelezi, and heal divisions between the ANC and Chief Buthelezi's Inkatha organisation, which have been fighting a bitter civil war in Natal.

Somehow, the ANC leader must deliver the whole of black South Africa to the negotiating table – not just his own colleagues from the ANC (which may prove difficult enough), but Chief Buthelezi and other homeland leaders, and blacks who support ultra-radical groups like the Pan Africanist Congress.

More than that, he must persuade his constituency to accept a constitutional deal which can unite the peo-

Visitors say Mr Mandela sees merit in free markets, believing nationalisation cannot create enough jobs

ples of South Africa – systematically divided by apartheid for over 40 years – in a truly multi-racial nation. Creating such a society is Mr Mandela's stated aim. Indeed, he concluded his defence before the court which jailed him 25 years ago with this outline of his vision: "I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be it is an ideal for which I am prepared to die."

That vision must still be a distant one; but it seems closer today than at any time in South Africa's history.

OBSERVER

Are the polls distorted?

■ When is the last time that you recall a domestic news story dominating the British headlines for several days running – either on the news bulletins or in the heavier newspapers? Certainly not this side of the new year, and possibly you would have to go back to the botched Cabinet reshuffle of July 1989.

There have been exceptions, of course, like the resignation of Nigel Lawson as Chancellor in October and the subsequent departure of Norman Fowler as Employment Secretary. But none of them has held the top of the front page, or remained the lead item on the television news, for long.

For the rest, it has been Czechoslovakia, Romania, the Soviet Union, the two Germanys and South Africa. There is no reason to think that there will be any great change in the near future.

It is thus tempting to wonder whether the dominance of the news by foreign affairs has had a distorting effect on the domestic opinion polls, and, if so, which way. For psephologists tend to the view that the results are influenced by what is in the news at the time the poll is taken.

Recent polls have the Labour Party about 10 percentage points ahead of the Conservatives, and that has been the trend for a good many months. One cannot prove it, but there is a case for arguing that, if it had not been for foreign affairs, the Labour lead would be much greater.

After all, it is not as if domestic events have come to a halt. There is the long-running dispute between the Government and the ambulance men, the Ford strike, the continuing arguments over the poll tax, the suspicion of dirty tricks in Northern Ireland and, not least, the inflation. In more normal times, all those matters would have received much more attention.

Ministers are quite happy about that. Douglas Hurd, the Foreign Secretary, is congratulated by his colleagues for keeping international affairs at the forefront and domestic events low down the news list. And it may be that when the tide of foreign news finally recedes, the Government will have put the economic house in order again and the Labour lead will start to slip away.

There is also a converse: if the economic house has not been put in order, it could be that the Labour lead will turn out to have been understated. Polling is a tricky business at the best of times. It is a snapshot of public opinion at the time the poll is taken. In exceptional times, it could be taking the wrong shot.

Versatile

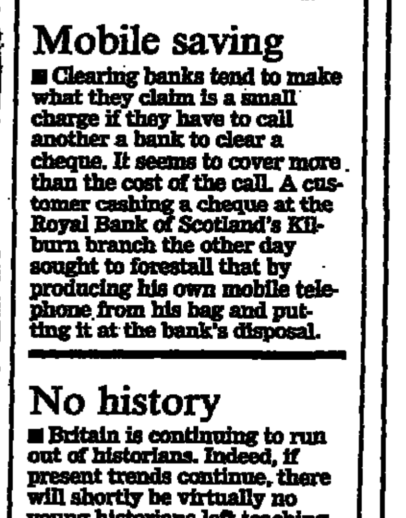
■ Intriguing figures thrown up by our market research. The Financial Times is read by more AB adults in the United Kingdom who have attended an American Football game than any other British daily newspaper. The same goes for motor racing.

For American Football, the FT figure is nearly 30 per cent. The Sun comes next with just under 25 per cent. The Times is in third place with 18 per cent.

For motor racing, the FT's lead is less decisive: 19.2 per cent against 17.0 per cent for the Daily Telegraph. Third is the Daily Mail with 15.5 per cent.

Cherished cars

■ The reformation of the Soviet Communist Party proceeds apace in the face of popular discontent. The party's latest common touch comes in the Ukraine town of Zaporozhe, famed in the USSR for producing the Zaporozhets car, a sort



"As I was saying before I was so rudely interrupted..."

of expanded roller-skate with a motor-bike engine and – by popular acclaim – the country's cheapest and worst motor vehicle.

In a drive, according to the town's traffic inspector, "to democratise society and abolish party privilege," the local party has quietly abandoned the practice of giving party officials' cars special number plates – the number 50 denoting a regional official, 10 an executive committee member, and so on – so that they merge with the rest of the townsfolk. That is the democratic part.

Except that party members only drive (relatively) luxurious black Volga cars. They are the only people with access to the Volgas and, being the only people to have staff to clean their vehicles, they are the only drivers in the grimy town with coachwork you can see your face in. They also often charge through the city streets at great speed escorted by police cars with flashing lights to clear a path through the traffic.

What the radical newspaper, Komsomolskaya Pravda, wants to know is: "When will the officials be made to abandon their Volgas for Zaporozhets?"

Mobile saving

■ Clearing banks tend to make what they claim is a small charge if they have to call another a bank to clear a cheque. It seems to cover more than the cost of the call. A customer cashing a cheque at the Royal Bank of Scotland's Kilburn branch the other day sought to forestall that by producing his own mobile telephone from his bag and putting it at the bank's disposal.

No history

■ Britain is continuing to run out of historians. Indeed, if present trends continue, there will shortly be virtually no young historians left teaching in the universities.

In 1972-73 there were 405 of them under the age of 35. Between them they held 41 per cent of the history posts. By 1980-81 the number had fallen to 224 and 21 per cent of the posts.

George Bernard of the University of Southampton and Secretary of the History at the Universities Defence Group has now produced the latest figures. In 1988-89 only 74 posts were held by under-thirty-five-year-olds, or 7.6 per cent of the total.

Bernard points out that 125 history posts were lost altogether between 1981 and 1988, and says that there is evidence that an increasing number of young historians are no longer even bothering to apply.

Poor Greek

■ The Economist tends to pride itself on the literacy of its advertisements. How about this one? "Single market, single currency? That's one vision of Europe's future. Easy for trade and travel, from the Shetlands to the Peloppenese."

Janet Bush finds in Morgan Stanley one of the rare successes on beleaguered Wall Street

The revenge of the blue-bloods

Some of the great names in the US securities industry, such as Shearson Lehman Hutton and First Boston, have emerged from 1989 with their reputations severely dented: Morgan Stanley is one of the few winners.

Recently, it announced record profits for 1989 and achieved a return on equity of just under 28 per cent compared with an industry average of scarcely 6 per cent.

In the wake of the October 1987 crash, which ushered in a period of stagnant trading volume in stock and bond markets, Morgan Stanley was one of the many US securities firms which moved aggressively into the riskier end of business on Wall Street – backing highly borrowed takeovers and putting up its own capital to finance acquisitions.

For several of its competitors, that game has turned sour. The junk bond or high-yield market has collapsed and commercial banks, under increasing pressure from bank regulators, are no longer willing to stand behind the riskier takeover ventures.

Thousands of redundancies have been announced over the last two months. Late last year, Shearson Lehman Hutton, for example, announced plans to cut 800 jobs and American Express, its parent company, was forced to arrange what is thought to have been the largest infusion of new capital in the history of Wall Street. Last month, Merrill Lynch, the largest of the Wall Street securities houses, announced a record loss for the year.

Morgan Stanley, by contrast, has steamed ahead. The 1989 results show

Morgan Stanley owes a lot of its strength to its success in committing its own funds to invest in takeover targets

that this is due in no small measure to its success in committing its own funds to invest in companies that are the subject of takeovers.

On Wall Street this is known euphemistically as "merchant banking" – a completely different meaning from the British definition – and it is a potentially high-risk business which in recent years has led Morgan Stanley into some controversy.

Although the perilous financial climate means that labelling any securities house a winner is risky, Morgan's relative success may point to the qualities which will divide Wall Street's winners and losers in the 1990s.

It has managed to combine traditional blue-blooded caution with a willingness to enter some of the most high-risk – and potentially high-reward – areas of investment banking. It has also pursued a strategy of profitability rather than attempting to provide a full range of financial services.

For decades, Morgan Stanley has been the most blue-blooded of all the US investment banks, with one of the most envied client lists and a reputation for hiring ranks of square-jawed graduates from the best Ivy League backgrounds who remained Morgan men for the rest of their lives. It also carried a reputation for arrogance and slow-moving stuffiness.

It is still criticised for not having integrated efficiently – partly, some say, because of an enduring snobbery – the trading side of the business with areas such as underwriting and corporate finance.

Still, the company's image has changed radically during the 1980s as the bank ended 51 years of private ownership through the sale of 20 per cent of its equity.

It threw itself into global expansion and began a remarkable build-up in its merchant banking portfolio of principal equity investments.

This is not the result of a clean-out at the top. The three men at the apex have 110 years of experience at Morgan Stanley between them. Mr Parker Gilbert, chairman, Mr Richard Fisher, president, and Mr Robert Greenhill, vice-chairman, guided the company through the rapid expansion of the mid-1980s.

All are in their early 50s and are likely to continue at the helm for some time. They all have substantial shareholdings – 70 per cent of the company is still owned by employees.

One thing that has not changed has been Morgan Stanley's almost reverential emphasis on conservative credit analysis.

"There is no deal that I could do which would be so fantastic that it would be worth being downgraded for," says Mr Donald Brennan, a relative newcomer who is a former paper industry executive and who now leads the 40-strong merchant banking team.

This conservatism may have meant missing out on lucrative underwriting fees earned by more cavalier competitors but has also avoided confidence-shattering setbacks.

Junk bond underwritings of companies such as Federated Department Stores, Allied Stores and Ohio Mattress have run into deep trouble either because of difficulties in financing the debt or because of inhospitable market conditions at the outset.

"We wouldn't have invested in these deals ourselves so why should we underwrite the bonds?" asks Mr Brennan.

First Boston, involved in all these flops, saw Moody's Investors Service downgrade its long-term credit rating last November because of its "appetite for making subordinated loans to leveraged buy-outs."

In comparison, Morgan Stanley has appeared to weather the current crisis in the junk bond market, bringing two successful issues to market shortly after the mini-crash. It claims a default rate of less than 1 per cent on the $14bn or so of junk bonds it has underwritten compared with an industry average of approximately 9 per cent.

Morgan Stanley's trump card this past year has been its merchant banking business – where it puts its own capital at risk to take equity stakes in companies. Over the past few years, it has invested in 40 companies with combined assets of $25bn.

It made virtually no new investments last year: instead, four of its existing investments have been restructured. Through complex transactions in which it re-leveraged the companies – cashing in its equity and restructuring the company, taking on new debt – Morgan Stanley made a gain of $246.5m in 1989, a significant part of its profits.

Morgan's merchant banking strategy has been criticised on several counts. First, it is said that, by re-leveraging companies as the economy slows, it has made its portfolio of principal investments more risky. A counter argument is that in each case, the credit rating on the second issue of junk bonds was the same as on the original issue, suggesting the rating agencies are satisfied no more risk has been added.

Second, other Wall Street banks say there is a tension between finding attractive deals for its own merchant banking division and locating the same for its clients.

Morgan dismisses this. It says it keeps a "conflict of interest" file to monitor any potential clashes between merchant banking and interest in a deal from a customer but says that conflicts have rarely come up.

Mr Greenhill said: "In the end, you have to trust the integrity of the firm. If clients were worried about this, they wouldn't use us."

Third, detractors contend that this thrust has been at the expense of traditional business, such as securities trading and underwriting, pointing to a slippage in published underwriting rankings.

Morgan Stanley replies that each of its businesses has remained profitable despite the difficult market conditions over the last two years and sticks by its decision not to build the underwriting market share at the expense of profitability.

Will its equity investments take a beating in a recession? Morgan Stanley replies that they are in companies with leading market positions and comfortable margins.

Still, it acknowledges that there is no guarantee that merchant banking will yield a steady flow of gains of the kind seen in 1989.

Looking forward, the major international thrust will be in the area of mergers and acquisitions advisory work. The creation of the European Community's single market and the political ferment in eastern Europe is attracting interest from US investment banks keen to maintain takeover work in the face of a slump in such activity at home.

For decades the bank has had one of the most envied client lists – and a reputation for stuffiness and arrogance

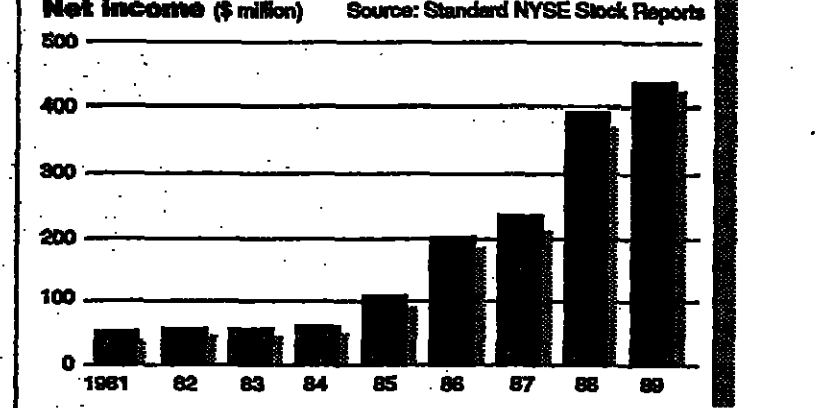
Nearly 30 per cent of Morgan Stanley's M&A professionals are based in London and the proportion of deals done in Europe, as opposed to the US, has risen to 50 per cent from 30 per cent a year ago.

The firm is prepared to be hard-nosed in cutting back unsuccessful businesses. Late last year, it told nearly half of its US institutional clients that they were being moved to the individual investor department because they were not generating enough commissions to justify a full service.

This has led to charges that Morgan Stanley is choosy and high-handed with some institutional clients, losing their business. It replies, however, that its bottom line is proof that its strategy works.

Morgan Stanley income and ranking

Net income ($ million) Source: Standard NYSE Stock Reports



Top ten US merger advisers, 1989

(By dollar amount of transactions effected)

Financial adviser	Amount ($ million)	Number of deals
Morgan Stanley	107,521.1	124
First Boston/CSFB/CS	73,632.8	149
Wasserstein, Perella	71,816.8	44
Goldman Sachs	58,738.4	138
Drexel Burnham Lambert	56,573.6	116
Merrill Lynch	50,933.7	98
Shearson Lehman Hutton	49,791.0	157
Lazard Freres	49,631.0	39
Dillon, Read	44,606.5	49
SG Warburg	31,496.5	75

Source: Investment Dealers' Digest

LOMBARD

City scribblers' great betrayal

By Samuel Brittan

A NOVEL and basically contemptible fashion has arisen among the City scribblers. This is to criticise the Government, not for making economic mistakes, but for messing up the cynical electoral game. Some of the sharpest criticism on this score comes from commentators who have no personal desire to see the Conservatives returned, but who still want to show their hyper-sophistication.

Typically, they ask whether whether there will be time for a pre-election boom to fool the electorate into voting the Government back. Many have given up discussing the right economic policy, but take for granted that economic policy consists in rigging the indicators for partisan advantage. Typical of this line of thought is the advocacy of base rate cuts in the run-up to the election to produce a cosmetic fall in the Retail Price Index, by taking advantage of the mortgage payment distortion, even when the underlying rate remains high.

It is indeed easy to show that you can fool many of the people much of the time. For instance, in 1964 opinion poll respondents considered that Sir Alec Douglas-Home was the cleverer of the two main party leaders, but Harold Wilson was the more honest.

Nevertheless, naïve cynicism is just as wrong-headed as blind trust in the goodwill of rulers. The simple economic cycle view of voting is plain wrong. There have been nine elections since I have had a vote. Of these only two have been determined by simple prosperity indicators: the Harold Macmillan "Never had it so good" victory in 1959 and the last Conservative victory in 1987.

When Wilson narrowly beat Douglas-Home in 1964 on the slogan of "Thirteen Wasted Years," the prosperity indicators were at a peak. They had all seriously deteriorated by 1966, yet Wilson won a resounding victory, either because voters blamed the Conservatives for the "legacy" or they wanted to give Wilson a mandate to finish the job. The 1970 election, when Edward Heath secured his surprise victory is the most difficult of the series to interpret, as one can argue about how strong the prevailing upturn was.

In the first election of 1974 when Edward Heath was defeated by the miners, real personal incomes and associated indicators were rising at record rates. By the second autumn election of that year, unemployment and inflation were both rising, but Labour increased its representation. In 1979, too, James Callaghan went to the country almost at the peak of the business cycle, but this did not dispel memories of the Winter of Discontent. In 1983, at the time of Mrs Thatcher's second election victory, the popular view was that the country was in a recession; and the Government won on a mixture of the Falklands factor and the belief that it needed more than one term to turn the country round.

Some of the electorate's concerns on the above occasions were economic in the broad sense, but indeed indicate that it could not just be cynically manipulated. A temporary pump priming boom is neither a sufficient nor a necessary condition of electoral success. Serious discussion has long ago reached a further stage, where economists have questioned whether electorates are so unable to learn from experience that they can be hoodwinked again and again by a boom which is brought into reverse after polling day.

There is no need to play holier-than-thou. Everyone interested in economic policy has at time discussed the political cycle. What is wrong is when this becomes the predominant mode of discussion, driving out all others.

The true job of the commentator is first to analyse what is happening or may happen, secondly to say what he or she thinks are the appropriate policies on their own merits, and thirdly to consider the distortions produced by the electoral or any other kind of political process. If an analyst does not bother to say which policies would be appropriate on their merits, he cannot even say what effect electoral considerations have had.

LETTERS

Japan 'clouds the issue' with 100-year loans

From Mr Vladi Catto.

Sir, Your report on 100-year loans by Japanese housing finance companies ("For they shall inherit the earth and the mortgage," January 31) provides another example of Japan's inability to address serious policy issues in a serious manner.

In a country where, as you say, house prices are so high that many workers have mortgages of seven times their salaries, raising the maturity of the loan from 30 years to 100 years will do very little to improve the affordability of housing.

The monthly payment on a $406,000 (£237,000) house financed over 30 years at 8 per cent per year (assuming a 20 per cent down payment) is $2,348. The monthly payment on the same house financed over 100 years, even at the charitable rate of 8.5 per cent per year, would be $2,267.

In other words, the average Japanese home-buyer would save less than $100 a month by passing the mortgage on to his grandchildren, courtesy of the Nippon Housing Loan Company. This is hardly an incentive worth talking about.

If the Japanese Government truly wanted to address the housing problem in a quick and efficient way, it would:

- Reduce subsidies to farmers to free land for residential construction.
- Increase property tax and inheritance tax rates to discourage the wasteful use of land.
- Lower the capital gains tax on land transactions to increase the supply of land for sale.

Anything short of this would be another exercise in futility.

The issue of soaring land prices in Japan has implications that go well beyond the affordability of housing by Japanese taxpayers. Lower home prices resulting from a more enlightened Japanese tax policy would produce a surge in demand for consumer durable goods that could eventually translate into increased Japanese imports from abroad. Therefore, the issue of house prices in Japan goes to the very core of the trade controversy engulfing the industrialised world.

It would be a real pity if Japan were to miss another opportunity to put its house in order by clouding the issue with 100-year loans.

Vladi Catto,
Chief Economist,
Texas Instruments,
Dallas, Texas

Chile's Antarctica claims

From Ms Maria Luisa C. Carvallo.

Sir, Although Barbara Durr ("Well-placed Chile leads in the logistical battle for Antarctica," January 11) accurately describes the current situation in that continent, her last paragraph describing the dates of various territorial claims in the Antarctic peninsula could mislead.

It is not correct to state that the Chilean claim was not made until 1942. As early as 1906-1908 Chile and Argentina began negotiations with the aim of sharing their Antarctic territories. When they had almost reached an agreement over their boundaries, the Argentine Minister of Foreign Affairs suddenly resigned, without having signed any documents. Some 12 days later the UK made the first formal territorial claim – on July 21, 1908. This was renewed in 1917. Subsequently, Australia, New Zealand, France and Norway made territorial claims on the other side of the continent.

Chile's claim goes back much further than that, to the days indeed of the first division of sovereignty in south America. The regions allocated to Spain by the Treaty of Tordesillas in 1494 extended beyond South America to Antarctica. Even in 1556 Alonso de Ercilla, the most famous Spanish poet in the 16th century, noted in his poem, La Araucana, that Chile was "famous in the Antarctic territory."

The present sovereignty of the Republic of Chile over Antarctica flows from the ancient entitlement of Chile, the colony of Spain. It is therefore more accurate to say, not that Chile made a claim, but rather that it defined the Antarctic territory belonging to it. Its border was fixed by the Chilean Supreme Decree No 1747 of November 6, 1940. Only two years later did Argentina send Chile notice of its own claim.

Maria Luisa C. Carvallo,
Visiting Fellow,
Research Centre for International Law,
University of Cambridge

Breathing space for the EC

From Mr James Elles MEP.

Sir, Your editorial comment ("Europe whole and free," January 29) provides a long-term view of how such a Europe might be built with the European Community playing a central role. Regrettably, it provides no time-scale in which the vision should be achieved. It thus ignores many awkward issues which would arise if negotiations for further EC enlargement were started in the near future:

- How can a community of 12 countries complete the 1992 programme and maintain progress towards economic and monetary union and widen at the same time? What is rapidly being done with 12 countries would be much more difficult with 20.
- How can the EC start negotiations with countries which are neutral from their own volition, if the EC is gradually to develop its competences in the area of security, resulting from the changing nature of Nato and the Warsaw Pact?
- How is the European Commission, already insufficiently accountable democratically, to be controlled if more countries are added to the EC?
- How far is the EC to enlarge? Should it go so far as countries like Romania and Bulgaria to the borders of the Soviet Union itself, ending up with more than 25 European countries?

The most sensible position for the EC to take is to confirm the approach indicated in the Commission's recent communication concerning the application of Turkey to join the EC whereby it would be unwise to "envisage the Community becoming involved in new accession negotiations before 1992 at the earliest, except in exceptional circumstances."

This would at least give the EC a breathing space to set its own house in order before considering further enlargement.

James Elles,
MEP for Oxford and Buckinghamshire,
c/o Conservative Centre,
Church Street,
Amersham, Buckinghamshire

Concentrating the minds of management on goodwill

From Mr J.G.R. Rix.

Sir, With all the different circumstances surrounding the purchase of a business for a price in excess of its tangible assets, and the different types of business involved, no one way of dealing with "goodwill" can be right or best.

The City is now awash with examples of its ability to evaporate without trace and with little hope of reappearing – especially if misjudged or mishandled – so in some ways it is ludicrous to keep it in the balance sheet.

However, if the object of the rules is to protect the shareholder from extravagant bids by management then the most appropriate course would be to capitalise goodwill as a separate item together with the obligation to write it off above the line over five or seven years. The fact that this expense was non-tax-deductible and harmed earnings per share growth might concentrate the minds of management on what, over the last few years, must have been broadly the worst asset for any company to acquire.

To the cry that the accounts would be misleading, I can only say that nearly all accounts need very careful reading already, few less than the valedictory accounts of Consolidated Goldfields.

Perhaps the Accounting Standards Board should also be deliberating on whether audits should be extended to cover the numerical content of chairmen's statements, and other areas of the reports and accounts, which can otherwise give a misleading gloss to the results.

J.G.R. Rix,
Wodehouse,
Headley,
Bordon, Hampshire

FINANCIAL TIMES
Monday February 12 1990

'Historic talks' in Moscow on the Germanys

Kohl says way to unification open

By Mark Nicholson and Ian Davidson in Moscow and David Goodhart in Bonn

THE SOVIET UNION has given the Governments of East and West Germany a free hand to decide on the timing, principles and form of an eventual unification of the two countries amid signs that the process towards unification is accelerating.

Chancellor Helmut Kohl of West Germany returned to Bonn yesterday after what he called "an historic day" of talks in Moscow with President Mikhail Gorbachev, the Soviet leader, saying: "The way to reunification is free."

He even indicated that unification might be possible before the end of this year.

After talks between the two leaders, and between Mr Hans-Dietrich Genscher, the West German Foreign Minister and Mr Eduard Shevardnadze, his Soviet counterpart, the two Governments issued a statement which said: "Germans themselves should make their choice in what state forms, what periods, what pace and under what conditions they will be realising their unity."

It also stressed that unification should respect the interests of the Soviet Union and other European countries, and must take into account the responsibility of the four war-

Kohl: meeting with Gorbachev

time allies in German affairs.

Moscow, which formally acknowledged the inevitability of unification late last month, has repeatedly insisted on the importance of giving the four powers a say in any unification process. Soviet leaders have also stressed the Conference on Security and Co-operation in Europe as the most appropriate forum for multilateral talks on reunification.

Mr Genscher, speaking on West German television soon after returning from Moscow yesterday, said that he expected a formal meeting later this year between the two German states and the four Second World War victor powers - the Soviet Union, the US, Britain and France - to clear the legal way to German union.

Mr Genscher envisaged a three-step endorsement of unity: first the two German states would draw up unity proposals after next month's free elections in East Germany; these would then be put to the four powers; then the final plans would be put to a special CSCE "Helsinki Two" meeting in the autumn.

Mr Genscher stressed that a "Helsinki Two" meeting was now even more urgently required later this year "and hopefully the results of our negotiations over unity can be presented to it."

However, Moscow clearly remains concerned that unification is occurring faster on the ground that can be accommodated within the existing CSCE timetable. A summit of the 35-nations is due later this year, aimed at sealing an agreement on reductions in conventional forces in Europe.

The joint declaration called for guarantees that "the current changes will not upset the existing balance in Europe." However, no reference was made in the statement either to the question of German neutrality, or Nato membership.

Chancellor Kohl told a weekend news conference that both sides considered possible frameworks for resolving the problem.

The Soviet Union has long argued that a united Germany should be both neutral and demilitarised.

Mr Kohl made clear that he expected an agreement on unification to proceed very rapidly. Asked if unity might be achieved by the scheduled CSCE summit meeting in 1992 he said: "I don't believe that the decision will require such a long time to be taken."

He said that the process of unification was continuous and that discussions would take place on the issue at ministerial level during this week's conference on Open Skies in Ottawa.

Indeed, when asked whether East Germans might be voting in December's federal elections, a clearly buoyant Chancellor Kohl said: "I cannot answer this question."

Economic analysis, Page 4

Moscow moves to protect state bank

By David Lascelles in Moscow

THE SOVIET Government is taking steps to curb the activities of the newly established commercial banking sector in order to protect its own sources of finance.

The Council of Ministers is reportedly preparing an order which will prevent the commercial banks, which now number more than 200, from offering deposit rates which are more attractive than those of Sberbank, the state savings bank.

Mr Vyacheslav Solovov, the deputy chairman of Sberbank, said the measure resulted from concern that competition from the commercial banks was becoming excessive.

"The commercial banks are not good because they are speculating on the scarcity of credit resources," he said. "We are not against competition but we think it should be fair."

Sberbank's deposit rates are imposed on it by the Government, and currently range from 2 per cent to 4 per cent depending on the type of deposit.

The commercial banks can offer whatever rates they like, which has enabled them to eat into the deposit market.

The commercial banks were permitted by reforms introduced two years ago. Since then, their number has mushroomed to about 240, many of them founded as co-operatives.

Their advance so far has been tiny - they account for less than 2 per cent of banking assets. But the government is heavily dependent on loans from Sberbank to finance the budget deficit. This year's gap is expected to be Rbs60 bn ($101 bn), part of which is to be covered by a Sberbank loan at 2.8 per cent.

The new measure on deposits - which is a further sign of the government's nervousness about economic reform - will probably be followed by further regulatory controls on the commercial banking sector when a new banking law is passed in the spring.

As with many co-operative ventures, the entrepreneurship of the commercial banks has drawn critical fire.

Mr Solovov said there was evidence that commercial banks had been charging as much as 360 per cent for some loans.

Provincial Party leaders forced out by revolt

By Quentin Peel in Moscow

A COUNTRYWIDE revolt against conservative provincial leaders of the Soviet Communist Party is gathering pace, with at least six more party bosses sacked by local committees over the past three days.

Mass rallies in major cities from the Ukraine to the Altai mountains on the borders of Mongolia, and the Komi republic in the north, demanded the resignation of party bosses, and cancellation of privileges.

Popular protests have been fuelled by the insistence of many party leaders on standing unopposed in forthcoming local elections in rural areas.

Party radicals have laid the groundwork for a possible split in the party at its full-scale congress in the summer, announcing their determination to present an alternative party platform to the version approved last week by the ruling central committee.

At the same time the Democratic Platform, representing supporters of multi-party democracy from within the ruling party, called on President Mikhail Gorbachev to set up a round table with opposition forces in the country.

A mass meeting, estimated at some 50,000, took place yesterday in Kishinev, the capital of Moldavia, where leaders of the nationalist Popular Front, and the new heads of the local Communist Party, shared a platform to call for more republican sovereignty.

Three more cities in the western Ukraine, where the Ukrainian nationalist movement is strongest, have seen the party leaders sacked: in Ivano-Frankovsk, Khmelnitsky and Uzhgorod.

In the Russian Federation, a mass demonstration yesterday in Ulyanovsk called for the dismissal of the entire regional party committee.

In Slavgorod, in Belorussia, 7,000 people demanded drastic cuts in the Communist Party bureaucracy.

The radical magazine Ogonyok published a poll – albeit several months old – showing that only 22 per cent of Soviet citizens completely trust the party. However, 43 per cent backed Mr Gorbachev as "the country's most outstanding leader," suggesting the Soviet leader's personal reputation is carrying the party.

China fears recession as industrial output falls

By Robin Pauley, Asia Editor, in London

CHINA has announced its biggest drop in industrial production for a decade, as evidence mounts that the country's economic austerity programme is pushing key sectors of the economy into recession.

The most recent figures show that the value of industrial output plunged 6.1 per cent to Yuan 127.8bn ($27bn) compared with a year earlier.

One month's figures are not a good indicator, particularly in the uncertain world of Chinese statistics. But this is only the second time that monthly industrial output has fallen in 10 years of economic reforms.

All of the country's 30 provinces and regions registered a fall in industrial output except the relatively backward Shanxi, Shandong, Hunan and Ningxia.

Production of some consumer goods nosedived. Refrigerator output fell 58.5 per cent and washing machines, colour televisions, bicycles and automobiles slumped by 40 to 50 per cent.

The State Statistical Bureau blamed the Chinese New Year holiday for the slump in January, but analysts do not regard this as credible.

During 1988, official figures, all of which are probably understated, showed the economy overheating, with industrial growth at 18 per cent, money supply growth at 35 per cent and inflation between 25 and 50 per cent, fuelled by large real wage rises which far outstripped productivity.

The September 1988 austerity programme helped rein in runaway inflation, to around 7 per cent.

An important part of the programme has been a credit squeeze, but this has hit the vital industrial sectors, private business, and smaller town and village enterprises, while leaving the inefficient and unproductive state monoliths least affected.

Nelson Mandela urges no relaxation of sanctions

Continued from Page 1

orate on his policies yesterday.

Mr Mandela was finally released from jail yesterday afternoon, and greeted well-wishers at the entrance of Victor Verster Prison before being driven with his wife Winnie the 30 miles to Cape Town.

He arrived several hours late for the rally, which had been marred by looters who smashed shop fronts, prompting police to open fire with birdshot.

During his speech, in which he reasserted his status as the ANC's leader, he thanked members of the ANC, other anti-apartheid organisations and the international community for pressing Pretoria to release him from the life sentence imposed on him in 1964 for plotting to overthrow white rule.

"On this day of my release, I extend my sincere and warmest gratitude to the millions of my compatriots and those in every corner of the globe who have campaigned tirelessly for my release."

He also paid tribute to Mr de Klerk, saying the President had gone further than any other National Party leader - a reference to the recent unbanning of the ANC, a partial lifting of the state of emergency, the release of some political prisoners, and a lifting of the bans on more than 30 other proscribed parties, including the South African Communist Party.

He described South Africa's President, whom he has met twice while imprisoned, most recently on Friday night, as a man of integrity. However, there were further steps that had to be taken "before negotiations on the basic demands of our people can begin."

These included the ending of the state of emergency and the freeing of all political prisoners. Mr Mandela made clear during his speech that his commitment to fundamental change had not diminished during his 27 years in jail.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	12	54	Dallas †	S	3	37	Madeira	C	17	63	Prague	C	6	41
Algiers	F	18	64	Dublin	R	8	46	Madrid	S	12	54	Reykjavik	F	-4	25
Amsterdam	S	7	45	Dubrovnik	S	12	54	Majorca	S	17	63	Rhodes	R	14	57
Athens	F	11	52	Edinburgh	C	5	41	Malaga	S	18	64	Rio de Janeiro		–	–
Bahrain	S	18	64	Faro	S	16	61	Malta	S	14	57	Rome	R	10	50
Barcelona	S	16	61	Florence	C	5	41	Manchester	R	4	39	Salzburg	C	5	41
Belfast	C	4	39	Frankfurt	C	6	43	Melbourne	F	20	68	S'Francisco †	S	7	45
Belgrade	S	9	48	Geneva	F	5	41	Mexico City		–	–	Santiago		–	–
Berlin	C	6	43	Gibraltar	S	19	66	Miami †	S	24	75	Seoul	C	4	39
Biarritz	F	11	52	Glasgow	R	3	37	Milan	C	4	39	Singapore	F	30	86
Birmingham	R	5	41	Guernsey	R	7	45	Montreal †	S	-5	23	Stockholm	C	4	39
Blackpool	R	4	39	Helsinki	Dr	1	34	Moscow	R	3	37	Strasbourg	C	7	45
Bombay	S	30	81	Hong Kong	F	23	73	Munich	F	5	41	Sydney	R	19	66
Bordeaux	F	11	52	Innsbruck	Sn	1	34	Nairobi	F	28	82	Tangier	C	17	63
Boulogne		–	–	Inverness	F	3	37	Naples	F	9	48	Tel Aviv	S	16	61
Bristol	R	7	45	Isle of Man	R	7	45	Nassau		–	–	Tenerife	F	19	66
Brussels	F	6	43	Istanbul	F	8	46	Newcastle	C	4	39	Tokyo	R	16	61
Buenos Aires		–	–	Jersey	C	8	46	New Delhi	S	22	72	Toronto †	C	-5	23
Budapest	S	7	45	Johannesburg	F	20	68	New York †	S	2	36	Tunis		–	–
Cairo	F	18	64	Las Palmas	C	19	66	Nice	S	13	55	Valencia	S	18	64
Cape Town	S	28	82	Leeds	R	5	41	Nicosia	F	16	61	Venice	R	5	41
Cardiff	R	7	45	Lisbon	C	14	57	Oporto	C	11	52	Vienna	R	3	37
Chicago †	S	-4	25	Locarno	F	6	43	Oslo	Sl	2	36	Warsaw	S	7	45
Cologne	C	6	43	London	F	8	46	Paris	F	7	45	Washington †	S	1	34
Copenhagen	F	7	45	Los Angeles †	S	10	50	Peking	S	9	48	Wellington	F	19	66
Corfu	S	13	55	Luxembourg	C	4	39	Perth	F	29	84	Zurich	F	5	41

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Mandela celebrations turn to chaos

Continued from Page 1

the neighbouring Tokoza squatter camp where five people perished in political violence last week.

Police fired shotguns and tear gas at a crowd of rejoicing black people in the Duncan Village township outside East London, an Indian Ocean port bordering Ciskei, residents said, adding at least one person was injured.

In Soweto, as hundreds of jubilant people sang, danced and cheered outside Nelson and Winnie Mandela's small house an enterprising lady across the street did a roaring trade at her makeshift hot dog and soft drinks stand.

About 20,000 people crowded into Soweto's Jabulani stadium which was draped with ANC and Communist Party flags. The crowds cheered and waved the clenched fist ANC salute as part of an organised rally, but outside the Mandela home a more-obvious spontaneity ruled.

Across the road from the Mandela home 30 people crammed into Mrs Selena Mkabela's sitting room to watch Mr Mandela's release on television.

As Mr Mandela was picked out by the television cameras, the room echoed to "Amandla, awethu" – freedom, power.

And then it was drowned by the cheers from the street outside as Father Smangaliso Mkhatsha told the throng Mr Mandela had walked out of prison.

But other forces were at work over Orlando West. The heavens opened to a Highveld summer thundershower and rain.

Central Johannesburg crowds of excited demonstrators swept down the main thoroughfares, marshalled by indulgent traffic police with their cheers drowning out the celebratory honking horns of cars and taxis.

East Europe likely to overshadow Open Skies conference

By Bernard Simon in Ottawa

BILATERAL meetings between foreign ministers of Nato and Warsaw Pact countries to discuss events in Eastern Europe are likely to overshadow the Open Skies conference on aerial surveillance which begins in Ottawa today.

Mr James Baker, US Secretary of State, and Mr Hans-Dietrich Genscher, West German Foreign Minister, were due to brief their Nato colleagues late yesterday on their visits to Moscow over the weekend, with German reunification and cuts in conventional forces in Europe expected to be the focus of attention.

Similarly Mr Eduard Shevardnadze, Soviet Foreign Minister, has scheduled an early meeting with other Eastern bloc ministers.

The three-day gathering of 22 foreign ministers from the two alliances – only the Danish minister will be absent – is the first since the upheavals in Eastern Europe began last autumn.

The ministers will have an opportunity to air a wide range of topics during a working lunch tomorrow, to be followed by a closed plenary session, likely to be dominated by Eastern Europe.

The Open Skies conference has been convened to draw up a treaty allowing surveillance flights by Nato and Warsaw Pact aircraft over each other's territory. Though the overflights would be hedged with conditions to protect the host country's security, an Open Skies treaty is viewed as a useful confidence-building step towards assuring verification of the various arms control agreements now under negotiation.

A Canadian official said that the chances of a treaty being finalised during the three week Ottawa conference are remote. A second meeting is scheduled in Budapest later this year.

The US and Canada have already drawn up a draft treaty, which still requires the approval of other Nato members. The Warsaw Pact group is expected to present a paper of basic elements for a treaty within the first few days of the conference, in response to a similar document already issued by Nato.

Under a Nato proposal a country would need to give about two days' notice of an observation flight. The host country would be allowed to station observers on the aircraft. Although a wide range of sensors would be allowed on board, they would exclude devices for recording signals intelligence.

Flights would take place on the basis of each country's geographic size.

● As preparation for a meeting of western foreign ministers due to take place last night, Mr Manfred Woerner, Nato Secretary General and a former West German Defence Minister, visited US President George Bush for talks at his Camp David retreat to discuss the latest changes in Europe, arms control prospects and future roles for the alliance, writes Peter Riddell, US Editor, in Washington.

Mr Bush is facing increasing domestic criticism for failing to respond to the new European situation with sufficient imagination and leadership, particularly given the timing of his three-day visit last week to US military installations.

Even the normally cautious Senator Sam Nunn, influential Democratic chairman of the Armed Services Committee, said it was "curious" that Mr Bush had chosen this moment to participate in war games. Like other Democrats, he said the President was "out of sync with events taking place." The Senator said what was needed was leadership and a vision of the future of Nato, its strategy and mission.

THE LEX COLUMN

The narrow mind of the auditor

Last week's landmark judgement on the Caparo case is better news for auditors than it is for the investing public. Caparo, it may be recalled, took over Fidelity, found the books had allegedly been cooked, then tried to sue Fidelity's auditors. The Law Lords were not having it. The job of the auditors, they said, is to do their duty by shareholders as narrowly defined by statute. They are not there to help people make profits from share dealings. Nor are they responsible for any conclusions an outsider might draw about the company's worth.

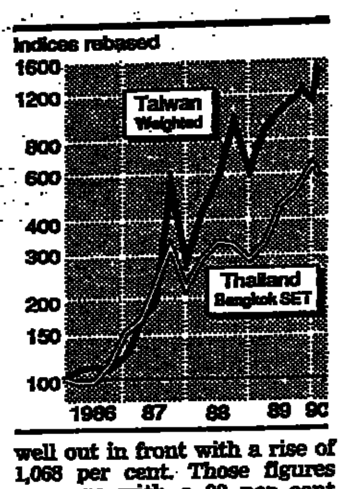
There are clear implications for Ferranti in its suit against Peat Marwick over ISC. Ferranti, it appears, is not entitled to complain about accounts drawn up for the benefit of ISC's previous owners. As new owner, it could perhaps sue Peat in the guise of ISC itself. But the snag is that in law, the acts of directors are generally taken to be the acts of the company. This might include the alleged fraud over arms contracts. Peat could therefore reply that it is illogical for ISC to say "we did wrong, and you failed to stop us."

But there is one important difference between the Caparo and Ferranti cases. The ISC fraud is claimed to have continued after the takeover, and Peat signed off the Ferranti accounts for the period. Ferranti could therefore sue Peat in its own right. One likely response for Peat would be to haul in the company's directors as co-defendants, in hopes of passing on some or all of the damages. But with luck, Ferranti could argue that the relevant directors would be those of ISC, whom it is separately suing already.

The broader question raised by the Caparo judgement is what purpose a company's report and accounts actually serve. The answer seems to be: not much, but in law they were never meant to. They are there purely to allow the company's owners to exercise informed control. Those out to deal actively in the company's shares, or thinking of bidding for it, should seek their information elsewhere.

Country funds

The recent allegations about market manipulation in Thailand may not unduly depress investors who have enjoyed a 289 per cent run in the Bangkok index since the start of 1987. South Korea, up 224 per cent over the same period, is not far behind and Taiwan is



well out in front with a rise of 1,068 per cent. Those figures compare with a 99 per cent climb in the Nikkei and a 39 per cent rise in the FT-A All-Share.

It is not surprising in the circumstances that funds have been launched to tap growing overseas interest in these markets, which normally limit the participation of foreign investors. The bold investor is attracted by the double gearing effect - liquidity is so limited in these markets that fashionable country funds can easily shoot to a substantial premium over net assets. The danger, of course, is when the gearing works the other way - Bangkok has fallen 12.5 per cent from its January peak, the Thai Euro Fund has fallen 21 per cent over the same period. Add in the currency risk for sterling-based shareholders (most funds are quoted in dollars) and private investors ought to tread warily before they take the plunge.

Media assets

"ALW: Legit Immortal or flash in the pan?" This *Variety* headline sums up the difficulties raised by Mr Andrew Lloyd Webber's £2.33 per share bid for Really Useful Group. Though Really Useful has a chunky physical asset (London's Palace Theatre), determining whether £2.33 is fair is a matter of valuing its 100-plus musical copyrights, and their marketability over maybe 100 years. But few London security analysts know how to do it.

There have been transactions involving UK companies, such as Thorn-EMI's $337m purchase of the SBK music catalogue. Really Useful paid £1m to buy back the copyright to Joseph and the Amazing Technicolor Dreamcoat, at that time producing only £63,000 annually. But one has to go to Wall Street for expert guidance: not surprising, given the huge media transactions which started with MGM's 1981 purchase of United Artists.

To value Really Useful the Wall Street way, an analyst would look at gross cash flow, before interest, depreciation and taxes; apply a multiple, which would be between 10 and 13 times, depending on how much life the assets are thought to have; then subtract net debt. For 1990, the debt-free Really Useful's gross cash flow from theatre production, and record and music royalties, looks like £7.4m, making those businesses worth between £2.20 and £2.90 per share. Its theatre management side's worth may be identical to the Palace's open market value: say, £4m, or 12p per share. This is all back-of-the-envelope arithmetic, and doubtless Really Useful's advisers, Schroders, will do a much better job. But it suggests *Mr Lloyd Webber's* bid price is right at the bottom of a reasonable range.

Bank provisions

There is no doubt that high interest rates are beginning to bite on the corporate sector. A rising financial deficit, the rapid increase in the number of company receiverships, and the growing evidence of financial strains in the property sector have all focused attention on the banks' potential bad debt problems. The high profitability and strong cash flow which led to such a marked decline in the banks' domestic bad debts over the last five years are disappearing and the TSB has already had to more than double its annual provisions.

Back in 1984, Barclays' annual provisions amounted to 0.7 per cent of its total assets. This may not sound large, until it is remembered that if a bank earns 1 per cent on its assets it is doing rather well, and in 1984 the quality of Barclays' loan portfolio was such that its total provisions of £469m dwarfed its after-tax profits of £282m. By last year the charge had dropped back to a more normal 0.28 per cent. The big unknown now is the scale of extra provisions the big banks will have to make to cope with the deterioration in the UK corporate sector. Better credit quality standards, and an increasing proportion of low risk mortgage lending, mean that domestic bad debt provisions should not be anywhere near as much of a problem as they were in the early 1980s. If they are then something has gone very badly wrong in the banks concerned.

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1990
Monday February 12 1990

INSIDE

Time, tide and leadership

It will not be welcome news to Mr Jan Carlzon, head of Scandinavian Airlines, and Mrs Margaret Thatcher (left), the UK Prime Minister, but their survival is merely a question of time. This view is backed by a presentation by two Canadian academics to the Strategic Management Society. They argue that most leaders find it hard to adjust more than once to the "cycle of revitalisation," and, whether in business or politics, few last much beyond a decade. Christopher Lorenz reports. Page 42

Suspended in a nightmare

It's an investor's nightmare. Once a company's shares have been suspended, the group often drifts into limbo and information becomes a scarce commodity. In an attempt to give shareholders some idea of the current situation, the Financial Times has investigated the current denizens of limbo. In some instances the news is hopeful; in others depressing; in many, the outlook is distinctly hazy, writes Philip Coggan. Page 26

Price barriers in BAT battle

Price Waterhouse, the accountancy firm which has been acting for Hoylake, the consortium headed by Sir James Goldsmith (left), has testified that if the consortium was obliged to pay as much as £10.50 a share for BAT Industries, the UK conglomerate which it has been trying to take over, the investment returns might not look acceptable. Nikki Tait reports. Page 28

Brothers up in arms

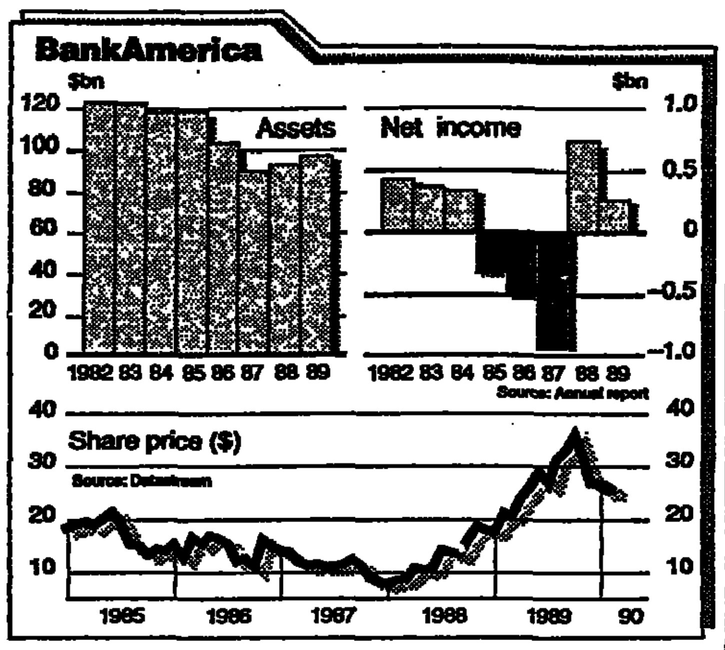
America's banks are far from happy. Behind their strong protests are new guidelines introduced by bank regulators in the US to allow them to track lending to heavily-indebted companies. The guidelines are nothing more than a yardstick to allow consistent measurement of exposure to so-called highly-leveraged transactions. But they are already having an impact which extends beyond US boundaries. Stephen Fidler explains why. Page 22

Market Statistics

Companies in this section

Clausen has the last laugh

Anatole Kaletsky explains how the retiring chairman turned around BankAmerica



There is no record of whether Mr A.W. "Tom" Clausen, the dour and laconic chairman of BankAmerica, enjoyed an uncharacteristic chuckle last week when he decided on his retirement. Whether he took the opportunity or not, he certainly was entitled to a Last Laugh.

By common consent the Clausen stewardship of BankAmerica has been the greatest turnaround story in US banking history. The $1.8bn profits announced in the last two years have wiped out the accumulated losses of the previous three disastrous years. The five-fold recovery in the share price since 1986 speaks for itself. Today BankAmerica's assets are growing strongly again and capital ratios are as good, or better, than those of its main US rivals, Citicorp and Chase Manhattan.

But what is even more remarkable than the rapidity of the financial turnaround has been the roller-coaster ride of Mr Clausen's personal reputation.

When he retires in May, at the age of 67, it will be his second departure from the chairman's office with its unequalled view of the San Francisco skyline. His first try at retirement came after a decade running BankAmerica in 1981. At the time, it seemed even more glorious. He had consolidated the company's position as the world's biggest and most profitable bank. He then crowned his career with the only banking job that he possibly have been regarded as a promotion, the Presidency of the World Bank.

Within two years Mr Clausen's reputation had completed its first U-turn, as non-performing assets sprouted like mushrooms across BankAmerica's whole loan book. By 1986 auditors from the Comptroller of the Currency were crawling over the books and putting pressure on the board to oust Mr Sam Armacost, the seemingly ineffectual chairman whom Mr Clausen had picked and groomed as his successor.

What happened then appeared to be the ultimate case of boardroom toadying. The BankAmerica board fired Mr Armacost and then invited Mr Clausen back to clear up the mess he had left behind. Wall Street did not know whether to be amused or aghast.

In retrospect, of course, the analysts should have restrained their catcalls. Whether responsible or not for BankAmerica's problems, Mr Clausen turned out to be the right man for the clean-up job. According to some of the bank's own executives, the key to his success was probably related to the reasons for the bank's earlier failures. He may not have been a charismatic leader, but he had one essential quality which Mr Armacost lacked. He was decisive enough to pursue bold policies, to make tough choices and to back strongly individuals in whom he had faith.

In the late 1970s some of these qualities probably led BankAmerica astray, as Mr Clausen decided to chase international expansion and balance sheet growth with too much aggression and insufficient regard for credit quality.

But when he returned in 1986, he was willing to do four things that Mr Armacost had balked at: admit the massive losses required to cleanse the balance sheet of BankAmerica's past lending mistakes; cut costs and staffing to match the bank's reduced ambitions; reverse the international expansion strategy of the 1970s and return BankAmerica to its roots as the greatest US retail bank; last but not least, give free rein to the ruthless new management team that Mr Armacost had assembled but then failed to back.

The last two of these factors were probably the most important in achieving BankAmerica's remarkable turnaround, which makes it particularly appropriate that Mr Dick Rosenberg, 59, will now enjoy his turn at the chairman's job.

A fast-talking consummate salesman, Mr Rosenberg was the man who masterminded BankAmerica's retail recovery. He saw that the unequalled network of 950 branches throughout California could once again become one of the greatest selling machines in the financial world. By the mid-1980s BankAmerica had fallen from first to twenty-first in the California mortgage market. It had completely lost the supremacy it once enjoyed in the credit card business and its basic branch banking business was losing market share rapidly.

The last was a particularly disastrous development. For California was not only America's biggest banking market, but also potentially the most lucrative, because of the dominance of just four banks – BankAmerica, Wells Fargo, Security Pacific and First Interstate. This market structure, which was tightened further after the savings and loan crisis eliminated the competitive lunatic fringe, partly accounted for the amazing speed of BankAmerica's recovery.

Once Mr Rosenberg, who had been trained at Wells Fargo along with most of the rest of BankAmerica's new senior management team, was given the managerial freedom and the technological resources to mount a serious counter attack in California retail banking, the profits flooded in.

Today, even the international and wholesale side of the bank, led by Mr Lewis Coleman, a former colleague of Mr Rosenberg's at Wells Fargo, accepts that the immensely lucrative California retail banking market will be where the resources come from eventually to restore BankAmerica as a first-class competitor on the world stage.

After the setbacks of the 1970s and early 1980s, neither Mr Coleman or Mr Rosenberg is in too much hurry to do this, confining their geographical expansion plans to Washington State, Arizona and ultimately along the rest of the West Coast. Indeed, BankAmerica's California foundations now seem more solid than Citicorp's hold on the more fragmented banking markets of New York and the North East. Given this structural advantage, along with superior economic fundamentals of the West coast markets, BankAmerica could even re-emerge one day as the biggest bank in the US.

The day they abolished geography

By Anthony Harris in Washington

Why do we bother? At the beginning of the week the Soviet Communist Party voluntarily abandons its constitutional right to govern; at the end of it, a virtual unknown knocks out Mike Tyson. Another routine week of news, apocalypse style. It is not easy, in these days, to drum up much attention for a small earthquake on Wall Street, especially one in which no-one is hurt in the least.

All the same, the surprisingly successful bond auction last week deserves some attention, not least because it is already getting a good deal of attention from those eager to draw the wrong conclusions. The Treasury sells its long bonds without having to pay much extra in yield, despite a reported Japanese coolness to the offering. The private investor lives! The menace of a Japanese boycott is a myth!

And so the equity markets bounces back more than 45 points. Everyone remarks sagely that Treasury Secretary Brady was showing his market savvy when he told Congress last week that events in Frankfurt or Tokyo had little to do with US interest rates, and market forecasters return to their old preoccupation with the nuances of six-week-old minutes from the Federal Open Market Committee.

All that this rush of interpretation really demonstrates is the American unease with geography. Half the high school students in this country cannot name the ocean off the West Coast. The strategists of Wall Street, by contrast, brood about the Pacific every day; but they wish they didn't have to.

It was relatively easy to make money in the bond market in the days when a reliable inflation forecast, coupled with a knowledge of the quirks of the Fed governors, gave most of the answers; it has been rather difficult since the smart money has all followed the most plausible commentator who could claim to have friends in the Japanese Ministry of Finance. But if the US bond market can, after all, rely on home-grown investors, we can abandon these attempts to unscrew the inscrutable.

This profound wish to abolish economic geography is not just a matter of laziness or ignorance. There is much political and doctrinal capital invested in isolationist theories of interest rates. Thus, Mr Brady's claim that US interest rates have little to do with events in foreign credit markets might unkindly be cited to show why Dillon Read was not a name which inspired much awe in the markets when he ran that once-revered house. In fact, though, he was staking out a position in budget politics rather than in monetary theory.

The Administration is arguing for a dash-for-growth strategy to deal with all the US deficits, in trade and investment as well as in the budget. However, everyone knows that the US economy is unlikely to show much dash as long as interest rates remain so high; and that is the topic on which Mr Brady claims to have "vigorous" discussions with Mr Alan Greenspan every week. We used to have the same debates in Britain some 30 years ago; the shade of Reginald Maudling may well be applauding Mr Brady. However, if interest rates are part of a world climate, there is little Mr Greenspan can do to help. In these circumstances, a strategy of dashing for growth makes no more sense than a strategy of having sunny weather. Mr Brady is logically compelled to hold the views he professes, and is no doubt pleased that investors have apparently proved him right.

Meanwhile, the monetarists, in and out of the Fed, have a doctrinal stake in denying foreign influences on dollar interest rates. Their fundamental belief was proclaimed in detail again last week by the unrepentant Dr Robert Aliber of Chicago: long-term interest rates measure inflationary expectations, and are thus by definition overwhelmingly set at home.

This was the belief of the St Louis Federal Reserve President who once lost a bet with me that Mr Paul Volcker's monetary squeeze would produce a fall in long rates within a couple of months, as soon as the markets believed that he meant it. In fact, of course, it took more than two years; but the St Louis veterans who still vote, as regional presidents, on the Federal Open Market Committee, still think in the same way, basically. They are no longer so sure how quickly a squeeze will conquer inflation; but they believe that the long bond market is a dial on which they can read the market's expectations. As Governor Wayne Angell puts it, a good monetary policy is one which makes the bond market happy. He and his supporters are no doubt as happy as the markets looked last week.

However, there is another veteran of the Volcker squeeze who had a much better forecasting record at the time. Dr Henry Kaufman, the one senior figure in Salomon Brothers who emerges from "Liar's Poker" without a splash of mud on his armour, was so influential in their early 1980s that, according to legend, he used to call a press conference before he blew his nose.

He is now an independent consultant. He has not been so dominant during the period of Tokyo-watching rather than Fed-watching, but his track record remains quite impressive. He bases his interest rate forecasts not on theories about inflation, but on a painstaking projection of flows of saving and borrowing, the supply of and demand for credit. This is inevitably an imprecise measure, but quite reliably produces a forecast of a buyers' or sellers' market in bonds.

This week Dr Kaufman is at it again, offering a knowledgeable but humdrum explanation of that bond auction. He puts US business credit demand in January at $9bn, down from a monthly average of $20bn last year. The Treasury had the benefit of a domestic seller's market – not to mention the advantage of an investors' flight to quality, as more corporations slide towards bankruptcy.

Wait a minute, though: if credit demand has fallen as sharply as that, why did not interest fall sharply too, instead of simply stopping rising? The answer is demand conditions inside the US do not set interest rates themselves, but simply the differentials between national markets.

The weakness of US credit demand is shown not so much in long rates, which have done little more than drift in the last six months, but in the virtually disappearance of the differential between dollar and D-Mark rates, which used to fluctuate around some 200 basis points, and the narrowing gap against the yen.

What analysts ideally need, then, is a global Kaufman table. This would surely show that the investment opportunities which have opened up in Europe will sustain the world demand for credit for a long time. The US Treasury just has a seller's stall in a buyer's market.

Economics Notebook: German currency union

Control of the inflationary risk

After the panic, the reassessment.

The first, historically justifiable, reaction to last week's news that the Bonn Government had offered immediate talks to East Germany on currency union was fear of increased inflationary pressures in West Germany.

However, it is beginning to look as if union might be possible without too much damage to the Federal Republic and, via financial markets, to its major trading partners. A word of warning needs to be injected here. Nobody has any idea of the all-important terms on which currency union will eventually be brought about or how far the East German authorities will work to help or hinder the process before the first democratic elections on March 18.

There must still be a strong possibility of higher West German interest rates. But various studies now suggest that, with careful management, the inflationary risks posed by releasing the monetary overhang of hitherto non-convertible East German marks can be controlled.

The idea of currency union between West and East Germany flies in the face of all conventional wisdom. A common West German view is that East Germany's living standard is where West Germany's was 30 years ago. But the East German mark, although feeble compared with the Deutschemark, still has some purchasing power. There are an estimated 170bn to 190bn East German marks in circulation and on deposit. Initially it was feared that this stock of money, if converted into D-Marks, would add to already strong demand in West Germany and fuel inflation.

Recent black market exchange rates of between 5 and 7 East German marks to one D-Mark suggest that a straight one-for-one conversion at the official rate would be inflationary.

Mr Gerry Holtham, international economist at Shearson Lehman Hutton in London, has calculated that the East German money stock would then be worth about 15 per cent of M3, the broad money aggregate targeted by the Bundesbank.

At a rate of five to one, however, East German money stock would be worth about 3 per cent of West Germany's M3. According to Mr Holtham, the liquidity overhang "looks manageable," at that level.

But other considerations are sure to determine the eventual conversion rate. A one-for-one rate would seem good news for East German pensioners and savers and therefore politically desirable in the framework of a creating a united Germany. But it could play havoc with the already weak international competitivity of East German industry, spreading bankruptcy and unemployment.

According to data prepared recently by the European Communities Commission, East German industrial productivity was around 39 per cent of West German levels in 1987.

A rate of five to one or lower would give East German companies the chance to survive in international competition. It could also encourage foreign investment in East Germany, once laws had been changed to permit this.

But a low conversion rate would provide little incentive for already low paid East German workers to stay in East Germany. It is likely that strikes and labour unrest would spread among those who did stay as they sought to bring their wages closer to West German levels. Inflationary pressures would therefore increase in East Germany.

For these reasons, there have been suggestions for partial or phased paths to convertibility. East German citizens could be offered one-for-one conversion of a limited sum of East German marks and longer term assets such as D-Mark bonds for the rest. These bonds, which would not add to West German money supply, might be offered at a lower exchange rate than one-for-one, further neutralising any liquidity overhang.

Another idea is that East Germany should proceed rapidly to privatise its industry and sell tenants the freeholds of their appartments at low prices. The latter move would generate pride of ownership and give East German residents incentives to stay at home.

Such a policy could draw on Britain's unique experience in privatising state-owned industries and managing council house sales. But East Germany would have to embark on a thorough-going reform of its economy and society, involving among other things the establishment of private property rights, a new company law and a Western style commercial banking system, for such a programme to work.

Once currency union was under way, the time available for introducing such reforms would be very short.

It is little wonder that Mr Karl Otto Pöhl, the Bundesbank president, was initially opposed to the idea of currency union. What is certain is that he will be the centre of attention if he manages to put in an appearance at the regular monthly meetings of central bank governors from the Group of 10 leading industrial countries and the European Community in Basle today and tomorrow.

Peter Norman.

THIS WEEK

The meeting in Bonn on currency unification between the two Germanys stands out in a week packed with important releases of economic statistics.

The bond markets in particular will await the outcome of talks with trepidation. A move by the Bundesbank to raise interest rates – by 0.5 per cent – has been mooted in financial markets for Thursday's fortnightly meeting of the West German central bank.

Whatever happens, European bond yields are likely to rise even higher than they are now in expectation of higher inflation following a merger between the East German mark and D-Mark. The rise of 5.3 per cent in German factory orders in December gives an early warning sign of strong demand pressures.

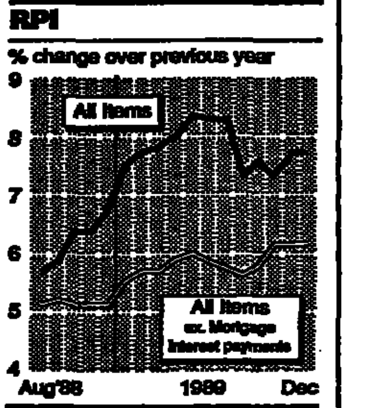
In the UK, Friday's retail price index vies with the release of the January public sector borrowing requirement for the attention of the financial markets.

Following the sharp surge in spending revealed in December's retail sales figures, the markets are looking for confirmation of a 1.4 per cent downturn in January's retail sales figures.

The size of the January Public Sector Borrowing Rate, meanwhile, has been the subject of continuous speculation, particularly by observers and participants in the UK gilt-edged market. While January is the month UK companies traditionally pay their taxes, this has not dimmed fears about the "incredible shrinking debt repayment."

Recent small PSBR outturns have frightened the gilts market into fears of new issues and rising long gilt yields.

Even so, the market consensus predicts a hefty £6bn ($9.6bn debt repayment in January – a figure many analysts would regard as optimistic given predictions of a final year PSDR of only about £7bn-£8bn.



Other notable events and statistics, (with market forecast consensus figures from MMS international, the financial research company, in brackets) include:

Today: UK, CBI/FT distributive trades survey, provisional retail sales (-1.5 per cent), for January. Producer input (flat) and Output (+0.7 per cent) prices for January. US, housing completions for December. Japan, National Holiday.

Tomorrow: East German Chancellor Hans Modrow meets West German counterpart in Bonn. Switzerland, Basle, EC central bankers meet. Japan, trade balance for January. US, retail sales (0.8 per cent) for January.

Wednesday: UK Industrial production (0.2 per cent), manufacturing output (+0.3 per cent), January. US, business inventories (+0.3 per cent), Treasury auction of 2 and 5-year notes. France, consumer prices. West Germany, cabinet agrees supplementary budget. Securities Repurchase.

Thursday: UK, unemployment (-15,000), average earnings (+9.25 per cent) unit wage costs, January. US, housing starts, building permits, January. Jobless claims, January.

Friday: UK, Retail Price Index (+0.4 per cent). US, industrial production (-0.5 per cent), capacity utilisation, Trade balance, for December. Japan, M2 money supply plus certificate of deposits.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

W Germans warm to Eurosterling issues

WHILE their own bond market is tumbling, West German investors are showing signs of moving some of their assets into sterling as they turn into enthusiastic buyers of Eurosterling bond issues.

It was the strength of German interest in Eurosterling that prompted Deutsche Bank to lead-manage its first floating-rate note in the sector when it brought a £250m issue for Leeds Permanent Building Society two weeks ago.

The bank said its franchise for the deal rested on the isolation of certain specific areas of strong demand among German institutional investors, when it would not normally try to compete head-on in such a UK-oriented commodity product.

These investors are attracted to sterling for the strength of the currency and the yield – in this case a running coupon paying 10 basis points over the London interbank offered rate (Libor) on a quarterly basis – but some are wary of buying into fixed-rate issues.

There is an indication that some German fund managers are switching out of high-yield currencies such as Australian and Canadian dollars and moving into sterling, where they feel high short-term interest rates are strongly supported.

If the market's lukewarm reaction to a recent short-term C$100m deal for General Electric Credit Corp is a judge of its general perception of Canadian dollar bonds, then it is not surprising that German investors are selling them.

The interest in Eurosterling is evidence of a strategic shift in investor attitudes towards the pound, but this is more by default than a groundswell of positive reaction.

The recent buy-backs of sterling bonds – the latest of which was completed on Friday by Credit Suisse First Boston when it completed a buy-back of British Telecom bonds – have helped some underwriting houses locate pockets of demand. Some of this has proved to be even deeper than initially believed.

UK houses have been put out by the encroachment of some overseas underwriters bringing sterling issues to a market which saw Goldman Sachs and J.P. Morgan follow on from Deutsche Bank. Both of the latter deals were characterised by a significant amount of preplacement, where each manager placed more than half of the issue itself.

The Eurosterling sector has seen an influx of building society paper in the past month as societies return to the market after, in some cases, an absence of a couple of years.

In spite of a slowdown in the UK mortgage market, building societies are rushing to raise funds in advance of changes in the UK tax laws in April. These tax changes will allow wives to be taxed separately from their husbands on investment income for the first time. Some building societies fear they will lose wives' cash to higher-yielding investments and are looking to the Euromarkets to raise money for home improvements loans – the only area of the mortgage sector that is buoyant.

Nevertheless, building societies cannot rely on cheap funding and Eurosterling deals are not guaranteed a warm reception in the continued volatility that dominates bond markets across Europe.

A £250m floating-rate note issue for Nationwide Anglia building society was a flop recently when CSFB had a difficult time organising a syndicate for a tightly-priced deal.

Similarly, Friday's issue of a £75m deal for Ford Credit Funding saw a rocky reception in a turbulent gilts market. Barings organised a smaller syndicate group than it had hoped and was forced to support the deal as the gilts market dropped away.

Deborah Hargreaves

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,185.0	0.0	0.0	9,619.4
Prev	1,220.1	100.0	430.0	10,868.1
Other	1,602.9	21.5	0.0	4,020.1
Prev	1,343.1	258.4	167.8	5,277.5
Secondary Market				
US$	19,600.3	868.1	3,122.3	6,453.1
Prev	17,497.0	1,151.9	5,164.6	7,309.7
Other	20,851.9	1,078.1	4,536.6	33,348.3
Prev	20,012.0	1,505.6	4,226.9	43,446.5

	Cedel	Euroclear	Total
US$	12,954.0	28,894.2	41,848.2
Prev	12,893.7	30,844.7	43,738.4
Other	26,785.8	38,653.6	65,439.4
Prev	29,345.8	46,892.0	76,237.8

Week to February 8, 1990 Source: AIBD

INTERNATIONAL BANK LENDING

Regulators' leverage guidelines trigger fierce protest

NEW GUIDELINES introduced by bank regulators in the US to allow them to track lending to heavily-indebted companies have brought strong protests from American banks.

The guidelines are nothing more than a yardstick to allow consistent measurement of exposure to so-called highly-leveraged transactions (HLTs). But they are already having an impact which extends beyond US boundaries.

The problem confronted by the regulators – the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Federal Reserve Board – was the lack of a consistent definition of HLTs among banks themselves. This was also confusing for investors and credit analysts: a financing would often be defined as highly leveraged by one bank but not by another.

The first part of the regulators' definition is a purpose test: the financing must involve a buy-out, acquisition or recapitalisation of an existing business.

If it meets this test then an HLT is a transaction which at least doubles the subject's liabilities and results in a leverage ratio higher than 50 per cent, or it results in a leverage ratio higher than 75 per cent, or it is designated an HLT by an agent bank in a syndication. Infrequently regulators may define other deals as HLTs.

The beauty of the test is its simple definition of leverage – total liabilities divided by total assets. Total liabilities include all forms of debt and claims, including subordinated debt and non-perpetual preferred stock; total assets include intangible assets. Another merit is that it covers US bank lending to companies in other countries.

But the banks don't like it. For them the test is too simple and rigid. It fails to discriminate between industries and is thus not subtle enough for a bank to use as an internal management measure of leverage. Bankers also argue that the definition will constrain credit on companies in industries which traditionally operate on high levels of debt, such as public utilities and media companies.

Many bank complaints centre on the potential for disruption of the credit markets. They say it will also damage the competitive advantage of US banks over foreign competition and hurt their ability to raise capital.

Worst of all, from the banks' point of view, the guidelines have already become a standard for measurement and reporting of HLT exposure – the SEC is using the definition. Yet there has been no public comment period in which banks could influence it.

However, the banks' requests for implementation to be deferred are unlikely to be heeded. Their request that the guidelines be sensitive to the special debt requirements of the media and other industries have also fallen on deaf ears. The regulators are about to tell US banks that special industry exceptions will not be made.

Regulators argue that the mere fact of labelling a transaction does not alter its nature; if it is sound banking practice to make a loan, it will be sound even if it carries an HLT label.

The evidence so far suggests that it is not leveraged lending by the top layer of US banks, responsible for most loan origination, that is worrying bank regulators. Such bank exposure is usually spread across a spectrum of industries and could in some cases be smaller than many think.

But lower tiers of banks often lack the level and depth of expertise of their money-centre counterparts. Some US regional bankers will have a hard time convincing regulators that they were justified in making certain loans.

Yet you can trust a banker to turn adversity into advantage. There have already been complaints from some borrowers that the HLT definitions are being used by bankers as a stick to beat them into agreeing to higher lending spreads.

Stephen Fidler

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sanwa Shutter Corp.†♦	400	1994	4	2⅛	100	Daiwa Europe	2.125
Mitsui Toatsu Chem.†♦	300	1998	8	4	100	Salomon Brothers	4.000
Mitsui Toatsu Chem.†♦	300	1994	4	2⅛	100	Nomura Int.	2.125
Godo Steel†♦	150	1994	4	2¼	100	Yamaichi Int. (Eur)	2.250
Daihen Corp.†♦	100	1994	4	2¼	100	Nomura Int.	2.250
Nissan Shatai Co.†♦	150	1994	4	2¼	100	Daiwa Europe	2.250
Daishinpan Co.†♦	100	1994	4	2¼	100	New Japan Secs.	2.250
Shikibo Ltd.†♦	100	1994	4	2¼	100	Nomura Int.	2.250
Hyundai Motor Co.(h)†♦	70	1995	5	1	100	CSFB	1.000
LTCB♦	125	2000	10	9⅝	101.95	LTCB Int.	9.317
Nagase & Co.†	200	1994	4	(2¼)	100	Daiwa Europe	★
Daiwa Overseas Fin.♦	100	2000	10	9⅝	101⅞	Daiwa Bank(Cap.Man.)	9.329
Industrikredit A/B(r)♦	23.4	1991	1	17¼	101⅛	Nomura Int.	15.946
BLADEX (Cayman)(t)★★‡♦	25	1995	5	¾	100	Citibank	-
CANADIAN DOLLARS							
General Electric Credit♦	100	1992	2	12	101.80	Hambros Bank	10.950
AUSTRALIAN DOLLARS							
Soc.Generale Australia♦	60	1992	2	15	101.90	Hambros Bank	13.849
Redland Universal Fund♦	150	1995	5	14¾	102	J.P. Morgan Secs.	14.165
D-MARKS							
Daishinpan Co.†♦	100	1994	4	1⅝	100	Deutsche Bank	1.625
Ihara Chemical Ind.†♦	40	1994	4	1⅝	100	Daiwa Europe(Germany)	1.625
Yamazen Co.†♦	65	1994	4	1⅝	100	Deutsche Bank	1.625
Star Micronics Co.†	100	1994	4	(1⅝)	100	Deutsche Bank	★
U-Shin Ltd.†	60	1994	4	(1⅝)	100	Nomura Europe	★
Kredietbank Int.Fin.(j)♦	100	1992	2	10⅛	101½	Bankverein Bremen	9.269
SWISS FRANCS							
North Pacific Bk(c)★★§♦	100	1994	-	¼	100	UBS	0.250
Dai-Ichi Hotel★★†♦	100	1995	-	1½	100	Swiss Volksbank	1.500
Nichiban Co.(k)★★§♦	80	1994	-	Zero	100	Credit Suisse	-
Jidosha Denki K.(d)★★§♦	50	1995	-	Zero	100	Bank Julius Baer	-
Carter Holt Harvey Fin§	(a)	1995	-	(7)	100	S.G. Warburg Soditic	★
Nippon Filcon Co(p)★★§♦	50	1994	-	Zero	100	Daiwa (Switzerland)	-
Hirano Tecseed(q)★★§♦	25	1994	-	Zero	100	Nomura Bk (Switz)	-
Shoei Foods(m)★★§♦	70	1994	-	¼	100	Nomura Bk (Switz)	0.250
Shikibo Ltd.(n)★★§♦	50	1994	-	Zero	100	Swiss Volksbank	-
Sugimura W'house(s)★★§♦	45	1994	-	Zero	100	Nomura Bk (Switz)	-
Sogo Denki(o)★★§♦	70	1994	-	¼	100	Handelsbank NatWest	0.250
World Bank★★♦	100	1998	-	7⅛	100⅝	J.P. Morgan Secs.	7.020
Rhone-Poulenc Comm.★★♦	100	1995	-	7⅜	101¼	UBS	7.070
Union Bank of Finland★★♦	60	1995	-	7½	100⅞	Deutsche Bk (Suisse)	7.285
IBM Int. Finance★★♦	125	1996	-	7¼	100⅞	J.P. Morgan Secs.	7.096
Credit Foncier♦	150	2002	-	7	101¼	Handelsbank NatWest	6.844
EIB♦	200	2000	-	7	101¼	Credit Suisse	6.823
U-Shin Ltd.★★†	40	1994	-	1⅝	100	UBS	1.625
Hyogo Bank(f)★★§	200	1994	-	¼	100	Swiss Volksbank	0.250
Swedish Export Credit♦	100	2000	-	7	101	S.G. Warburg Soditic	6.859
Austria♦	200	2005	-	7⅛	101½	SBC	6.961
Vorarlberger L.Hypo★★♦	70	1995	-	7⅜	100½	UBS	7.252
British Gas Int.Fin.★★♦	100	1995	-	7½	101⅛	Bqe Paribas (Suisse)	7.224
Toyo Shutter Co.(l)★★§	90	1994	-	(Zero)	100	Credit Suisse	★
Oki Electric Cable★★†	50	1995	-	1⅝	100	Yamaichi Bk (Switz)	1.625
British Telecom Fin.★★♦	200	1995	-	7½	101¼	UBS	7.194
STERLING							
Abbey National Treasury♦	100	1995	5	13⅜	100.05	J.P. Morgan Secs.	13.361
PCO Finance(b)§♦	28	2005	15	8	100	Kleinwort Benson	8.000
Skand. Enskilda Banken♦	100	1995	5	13⅛	101.70	Goldman Sachs	12.646
Birmingham M'shires(i)‡♦	100	1995	5	10bp	100	Baring Brothers	-
Ford Credit Funding♦	75	1995	5	13¼	101.40	Baring Brothers	12.853
ECUs							
Credit Local(e)♦	70	1994	4	Zero	100	Bankers Trust Int.	-
LIRE							
World Bank♦	200bn	1995	5	12⅛	101½	B. Naz. del Lavoro	11.712
PESETAS							
EIB♦	15bn	1995	5	13½	100	B.Bil.Vizcaya/Banesto	13.500
DANISH KRONER							
SAS♦	500	2000	10	9	87¾	Privatbanken	11.088
NORWEGIAN KRONER							
SAS♦	500	1995	5	10¾	99¾	Bergen Bank	10.817
FINNISH MARKKA							
Skop Finance♦	100	1993	3	13.20	99½	Skopbank	13.413
YEN							
Credit Agricole♦	10bn	1995	5¼	7	101.825	Bk of Tokyo Cap.Mkts	6.568
Swedish Export Cr.(g)♦	2½bn	1993	3¼	6½	95⅞	Daiwa Europe	7.973
Compagnie Bancaire♦	12bn	1993	3	7⅛	101.325	IBJ Int.	6.624
SBC Finance♦	20bn	1995	5	7	101⅞	Swiss Bank Corp.	6.548
C. Itoh Finance♦	10bn	1993	3	7¼	101⅜	Nomura Int.	6.729
Christiania Bank♦	7bn	1993	3¼	7⅛	101⅜	Nomura Int.	6.626
Postipankki(g)♦	1½bn	1991	1	9¼	100⅞	Nippon Credit Int.	8.302
Westpac Banking Corp(g)♦	5bn	1991	1¼	7¾	100⅞	Toyo Trust Int.	6.953
CIBC(g)♦	5bn	1992	2	12½	101⅛	Bankers Trust Int.	11.838
Oest.Laenderbank(g)♦	2.6bn	1992	2	8½	101⅛	Nippon Credit Int.	7.870
Oest.Laenderbank(g)♦	1.3bn	1992	2	9	101⅞	Nippon Credit Int.	8.368
C.Cen.Desjardins Quebec♦	10bn	1993	3	7⅛	101⅜	Nomura Int.	6.605
Denmark♦	10bn	1995	5	6.8	101.05	Nomura Secs.	6.658
Urban M'gage Bk Sweden♦	20bn	1995	5	6.8	100.95	Nomura Secs.	6.682

★Not yet priced. ★★Private placement. †With equity warrants. §Convertible. ‡Floating rate notes. ♦Final terms. a) Amount will depend on exchange offer. Three new bonds may be bought for two old bonds plus SFr5000 in cash less accrued interest on two old bonds. Investors can also pay cash. b) Conversion price: 132p. No put or call options. Yield to put: c) 3½%. d) 3.235%. e) Redemption linked to five stock indices. f) Yield to put 3.452%. g) Redemption linked to Nikkei stock index. h) Conversion price: 52,470. Exchange rate 688 won per $. i) 10bp over 3-month Libor. Minimum coupon 5%. Additional £50m on tap. j) Redemption linked to SFr exchange rate. Yield to put: k) 3.519%. l) (3.486%). m) 3.320%. n) 3.486%. o) 3.343%. p) 3.248%. q) 3.479%. r) Redemption linked to April 1991 oil future contract. s) Yield to put 3.483%. t) ⅛ over 6-month Libor. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Berlusconi crushes peace proposal

By John Wyles in Rome

MR SILVIO Berlusconi told Italians at the weekend that they should stop worrying about concentration of ownership in the media, prepare themselves for a change of direction at the nation's hitherto most independent newspaper and leave him in peace to get on with the task of building a publishing empire of European dimensions.

In a display of self-confident bravura, the Italian TV mogul who has now taken charge of the nation's largest publisher, Mondadori, appeared to rule out any possibility of a negotiated settlement with Mr Carlo De Benedetti, his bitter rival for control of the publishing group.

Out of courtesy to Mr Enrico Cuccia, the powerful honorary president of Mediobanca, Italy's top merchant bank, Mr Berlusconi said that he had examined the Cuccia peace proposal, based on a division of Mondadori's assets. However, he did not believe that "a problem between shareholders can be resolved by ceding assets which are fundamental to the company."

Such triumphal intransigence is rarely seen in Italy where businessmen and politicians are reluctant to make permanent enemies because of the relative scarcity of permanent friendships.

But after a meeting of the Mondadori board on Saturday, Mr Berlusconi tore up the normal ground rules. Having declared Mr Cuccia redundant, the dominant figure in Italian television, who is now a formidable publisher, said that Mr Eugenio Scalfari, the editor of La Repubblica newspaper, should resign "if he has a minimum of dignity."

Silvio Berlusconi: triumphal intransigence

Mr Scalfari is violently opposed to Mr Berlusconi's control, via Mondadori, of the newspaper he founded and has made no secret of the fact. Politicians who shared Mr Scalfari's concern about media concentration should realise that it was not dominant positions which counted, but "the eventual distorted use to which they can be put," said Mr Berlusconi.

The politicians should appreciate the need to build up publishing groups capable of competing internationally with the likes of Hachette, Bertelsmann and Mr Robert Maxwell. Mr Berlusconi had received various proposals to collaborate with Mr Rupert Murdoch who would certainly not wish to be a "sleeping partner."

However, Mr De Benedetti is the owner of 55 per cent of *Mondadori's ordinary and privileged* capital. This could yet unhorse Mr Berlusconi when the special shareholders' meeting, called for the end of March, finally takes place.

Strength of Canadian dollar holds back Mitel

By Bernard Simon in Toronto

IN SPITE OF a slight drop in sales, Mitel, the Canadian telecommunications equipment maker recently put up for sale by British Telecom of the UK, posted a small profit in the three months to December 29.

Earnings for the third quarter were C$2m (US$1.68m) or 3 cents a share, after payment of preferred dividend, down from C$3.5m or 4 cents a year earlier. Revenues slipped to *C$106m from C$107.7m.*

Earnings for the first nine months dropped to C$3.6m or 5 cents from C$10.4m or 13 cents. Nine-month revenue fell to C$310m from C$315.3m.

BT said last month that it was re-evaluating its 51 per cent stake in Mitel. It has retained Morgan Stanley as an adviser.

European and Japanese companies are considered the most likely candidates to buy the Ottawa-based company, which is a leader in the manufacture of small computerised switchboards.

Mr John Jarvis, Mitel's president, said the strong Canadian dollar dampened both sales and income and that the company continued to experience "very competitive market pressures in North America." But the British market was strong and there was "excellent sales growth" in Europe.

Inventories were cut to C$63.5m at the end of December, from C$77.4m a year earlier. Gross margins for the nine-month period were unchanged from 1988.

Matra tops forecast with 75% jump in net earnings

By William Dawkins in Paris

MATRA, the internationally ambitious French defence, telecommunications and transport group, yesterday announced a jump of nearly 75 per cent in net consolidated profits for 1989 on turnover up 12.4 per cent.

The improvement, which exceeds the previous year's growth and earlier forecasts from Mr Jean-Luc Lagardère, Matra's chairman, reflects the strong expansion of the European satellite market and the first contribution from the defence electronics and space *activities of Fairchild* Industries of the US, taken over by Matra last June.

Matra's group sales rose to FFr21.7bn ($3.8bn) last year, from FFr19.3bn in 1988, while net profits rose to FFr593m from FFr339m.

The group agreed to merge its space activities with those of GEC Marconi of the UK just before Christmas and plans international alliances in new sectors in the years ahead.

Matra and Marconi are hoping to add the space activities of Daimler Benz, the West German car maker which last year took over the MBB aerospace group, to their joint venture.

Defence and space-related activities accounted for FFr8.3bn of Matra's sales last year, including FFr5.5bn for defence, which represents 30 per cent of group turnover, up from 25 per cent previously.

The space division saw a "spectacular" increase in orders, from FFr2bn to FFr4.5bn, not including new business that came in with the Marconi partnership. Its main products are satellites for observation, telecommunications and scientific uses.

The car and transport division produced a turnover of FFr7.8bn, while telecommunications managed sales of *FFr5.7bn. Matra is the main* supplier for France's radio telephone network.

Gulf bank plans first offer for foreign investors

ARAB Banking Corporation (ABC), the Arab world's largest bank, is to become the first Gulf-based group to offer its shares to foreign investors on the open market, Reuter reports.

Mr Abdullah Saudi, president, said the bank would transfer *its entire 1989 profit of* $132m to loan loss provisions to pave the way for a planned $250m public share flotation in the first half of this year.

"The board of directors felt strongly that, in the light of the forthcoming share placement, the balance sheet should be *strengthened by bolstering* loan loss provisions in line with prevailing international levels."

The Government of Bahrain had told the bank it would allow people from countries outside the six-member Gulf Co-operation Council (GCC) to trade its shares on the island's stock exchange, making it the first Gulf bourse to do so.

"We expect a law announcing this to be issued in the next *few* days. It will set the trend for other international companies to be traded in local markets," Mr Saudi said.

ABC made a net profit of $124m in 1988 after setting aside $79m in provisions against third world debt.

Compagnie Bancaire up 4.5%

By George Graham in Paris

COMPAGNIE Bancaire, the French financial services group, made net profits of FFr1.09bn ($192.6m) last year, 4.5 per cent higher than in 1988.

Operating earnings rose 25 per cent to FFr1.06bn but the group recorded only FFr37m of exceptional earnings, com*pared with FFr202m in 1988.*

Mr André Lévy-Lang, chairman, said that market conditions last year had been difficult for the group because of a sharp rise in interest rates. He warned that 1990 seemed likely to be even more difficult.

Compagnie Bancaire – whose *activities* include home loans, consumer credit and leasing – funds its lending from the financial markets while high street banks, its main competitors, can lend below market rates because of their deposit bases.

Mr Lévy-Lang said the group's return on equity, at 13 per cent, was below its target of 15 per cent, although this was better than the commercial banks.

He said the decline in profit*ability was entirely explained* by UCB, the group's home loans subsidiary, which had been hit by early repayment of fixed-rate loans and which had difficulty matching the mortgage rates offered by the banks. These currently stand lower than rates on government bonds.

Cortal, Compagnie Bancaire's savings division whose products include the main interest-bearing cheque account in France, is now "solidly profitable," Mr Lévy-Lang said. Its 140 employees made FFr4m of net earnings last year on Cortal's FFr7bn of funds under management.

Compagnie Bancaire continued its expansion outside France last year, principally through the FFr1bn acquisition *of Humberclyde, the UK leasing* company, but also through 10 other new subsidiaries or joint ventures in Italy, Spain, Belgium and the Netherlands.

The group's foreign additions are, for the most part, in a start-up phase but still made net earnings totalling FFr52m.

Cetelem, the group's credit card subsidiary, made net profits of FFr503m, while UFB Locabail, the leasing division, reached FFr338m.

Fiat purchase wards off Japan

By Nick Garnett

IN A DEAL which indicates the protective characteristics of companies in Italy, the construction machinery division of Fiat has just completed the acquisition of Benati, another Italian equipment maker.

The acquisition appears to have been made by Fiat to shut out Sumitomo Heavy Industries (SHI), the aggressive Japanese earth-moving machinery producer which had been in *negotiations* with Benati for the purchase of the Bologna-based company.

Ironically the purchase was made by Fiat-Hitachi, the joint venture company which Fiatallis, Fiat's construction machinery business, set up with Japan's Hitachi three years ago to make hydraulic excavators in Turin.

Fiat said yesterday that the purchase of Benati, which had sales of L120bn ($96m) last year and manufactures more than 1,000 construction machines a year, was a move designed to improve Fiat-Hitachi's competitive position. The products of the two companies were complementary, it said. However, construction equipment analysts believe the deal only makes sense if the prime reason for it was to shut out Sumitomo, because Benati and Fiat compete in *similar* products.

Sumitomo is thought to have discussed with Benati the possibility of the Italian company manufacturing Sumitomo's range of hydraulic excavators at the rate of 3,000 units a year.

This would have made a substantial impact on the Italian excavator market in which Fiat-Hitachi – which makes *2,000 excavators a year – is* market leader, according to Corporate Intelligence Group, a London-based machinery analyst.

Benati, which makes 420 excavators a year, also manufactures more than 600 backhoe loaders, wheeled loaders and crawler loaders. These are other areas of direct product overlap. Fiatallis has recently signed a joint venture with John Deere of the US to make backhoes in Italy and to design jointly crawler dozers and crawler loaders.

Benati, which employs 450, was a family-owned business, but, for the past two years, has been under the control of financial institutions brought in after the company ran into difficulties.

Sumitomo has been seeking some form of production capac*ity in Europe during the past* two years.

Denison Mines in fourth-quarter loss

By Bernard Simon

A DROP in potash prices and in mineral and energy production pushed Denison Mines of Toronto into a substantial loss in the fourth quarter of last year.

The resource company posted an C$8.7m (US$7.3m) loss, compared with a loss of C$123.8m a year earlier. Earnings per share were not immediately available.

The 1988 figure included a C$125m writedown on oil and gas properties.

For 1989 as a whole the loss was C$3.4m or 46 cents a share, compared with a loss after the oil and gas charge of C$120.3m or C$2.25 in 1988.

The company is "actively negotiating" the sale of its oil and gas properties in Greece, Egypt, Italy and Spain.

Denison shares were briefly halted earlier this week after rumours that it was passing its quarterly preferred dividend. But the company said the dividend would be paid as normal.

Elkem pre-tax profit leaps to NKr 1.05bn

By Karen Fossli in Oslo

ELKEM, the Norwegian light metals producers, posted a sharp increase in 1989 pre-tax profits to NKr1.05bn ($163m) from NKr659m in 1988, in spite of a relatively weak final quarter. Turnover rose to NKr10.18bn from NKr9.75bn.

Fourth-quarter pre-tax profits fell to NKr15m from NKr161m in the third quarter and NKr172m in the 1988 fourth quarter.

Whirlpool to sell vacuum cleaner side

By Clay Harris, Consumer Industries Editor

WHIRLPOOL, the US domestic appliances manufacturer, is putting its vacuum cleaner subsidiary up for sale.

Whirlpool ranks third in US vacuum cleaner manufacturing after Electrolux and White Consolidated but its sales, mostly own-label products for Sears, Roebuck, are small compared with the rest of the group's business. The company does not give separate turnover and profits figures for the division.

The disposal will include a plant at Danville, Kentucky, requiring the transfer of production of ice-makers and rubbish compacters to other facilities.

Whirlpool also said it would close a factory at Mt Sterling, Kentucky, and shift output of KitchenAid dishwashers to Findlay, Ohio.

Built-in cookers made at the Ohio plant would now be manufactured in Oxford, Mississippi.

Whirlpool expects a net 215 jobs to be lost through the series of moves.

US MONEY AND CREDIT

Investors wake to Tokyo and Bonn

IF IT was not already clear to US bond investors that events in Tokyo and Bonn are getting to be every bit as relevant as those in downtown Washington, Chancellor Helmut Kohl saw to it last week that the message was driven home.

The West German leader's latest bid for a place in the history books as the man who unified Germany – his proposal for German monetary union – sent the D-Mark bond market into a spin. The result is that rarely have yield spreads been so slim among the benchmark issues of the US, Japan and West Germany.

By Friday West German bond yields had risen 60 basis points on the week and this had narrowed the differential between the new US Treasury benchmark and the German benchmark to less than 10 basis points. The new US 30-year bond was trading at 8.33 per cent and the West German 7.125 per cent 1999 maturity closed yielding 8.25 per cent. The yield spread between US and Japanese benchmarks also narrowed last Friday to 170 basis points. Japan's No. 119 was yielding 6.625 per cent.

Clearly, fears of higher inflation and interest rates in Germany are the D-Mark bond market's response to Mr Kohl. These concerns, along with a supposedly well-placed Japanese leak in Washington last week to the effect that the Bank of Japan will not be pushing rates up before April, imply that prospects for short-term stability in any of the world's leading bond markets are anything but bright.

Mr Robert Brusca, chief economist at Nikko Securities, argued on Friday that the inflation problem is not really that serious for Japan because it is worth stripping out the Japanese consumption tax in order to get a better feel for the underlying rate. But Mr Brusca agrees with other analysts such as Salomon Brothers that the situation in Bonn and Tokyo means there will be something of a "floor under US interest rates for the time being."

The other corollary of higher Japanese and German bond yields is, of course, the lesser enthusiasm for US Treasury paper on the part of foreign investors, who to date hold 13 per cent of the US Treasury's overall debt. Last week saw the refunding of $30bn of three-, 10- and 30-year US Treasury paper, which was said to be a fairly domestic affair. It is always hard to estimate Japanese participation, but a wide range of analysts reckoned that even though the Japanese went for a portion of the three- and 10-year maturities, last week still saw one of the lowest levels of Japanese participation in several years.

In overall terms the auction met a good, but by no means exceptional, response. Primary dealers and some US newspaper commentators had been busy trying to talk up the yields ahead of the auctions. In the event they did not realise their hopes of a 30-year yield as high as the 8.59 per cent seen on 10-year paper; the long-bond level was 8¼ per cent instead. The Treasury received bids totalling $76.4bn for its three new securities although demand was strongest for the three-year paper ($34bn of subscriptions).

This in itself is not surprising; investors like both the maturity and tradeability of three-year issues, and the yield of 8.43 per cent was attractive.

On Friday, with a sigh of collective relief that the auction was out of the way, the market rallied strongly. This was partly because of a positive response to Producer Price Index (PPI) figures. The January PPI rose by 1.8 per cent, a sharp gain which, none the less, did not daunt the market as it already had been waiting for the effect of higher energy prices due to last December's frigid weather.

Meanwhile the market was pleased to see that the PPI "core rate," which excludes food and energy, rose by 0.1 per cent for January, a smaller increase than had been expected. The rally saw sharply higher prices, especially in the long end of the market. Yields on the three-, 10- and 30-year bonds declined on Friday from their auction levels by 21, 29 and 17 basis points respectively.

The minutes of last December's meeting of the Federal Open Market Committee (FOMC) were also out last week, showing to no one's surprise that the FOMC had voted to ease monetary policy. But few in the market think that the FOMC meeting of last week (February 6 to 7) is likely to have seen a decision to ease credit policies. The Fed's line continues to be one of vigilance on inflation.

The Fed's stress on battling inflation may need to be re-examined at the end of this month when the revised GNP figures for the fourth quarter of 1989 are released. Some economists believe the revision will show a fourth-quarter growth rate even lower than 0.5 per cent, suggesting greater sluggishness than the Bush Administration would like to admit.

Next week will see another batch of key statistics, including data on retail sales, housing starts and the merchandise trade deficit. Housing starts may improve on the basis of improved weather conditions, but industrial production and capacity utilisation figures are expected to reflect problems related to the car sector.

The macro-economic statistics will continue to provide bond investors with their regular diet of technical stimuli. But putting aside raw data and the continuing guessing game over the Fed's monetary policy plans for the spring, the past week's events suggest the importance of keeping an eye on events in West Germany and Japan.

For the old timers in the US bond market, the need to keep a look-out on the Bundesbank and Bank of Japan instead of concentrating on Fed-watching means something of a change in habit.

Smart American investors already see the bond market in global terms. Those who have traditionally been more ethnocentric about their analysis will simply learn to do so, by hook or by crook.

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.19	8.19	8.13	9.92	8.00
Three-month Treasury bills	7.99	8.05	7.72	9.11	7.26
Six-month Treasury bills	8.07	8.15	7.82	9.37	7.18
Three-month prime CDs	8.12	8.25	8.12	10.35	8.18
30-day Commercial Paper	8.23	8.22	8.10	9.95	8.05
90-day Commercial Paper	8.13	8.10	8.03	10.05	8.15

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98¾	+⅛	8.30	8.45	8.06
20-year Treasury	107⅝	+¾	8.49	8.58	8.25
30-year Treasury	101⅛	new	8.33	8.50	8.17

Source: Salomon Bros (estimates).

Money supply: In the week ended January 29 M1 rose $2.7bn to $796.9bn

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 8/2/90	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	144.01	6.84	144.29	147.79	149.79
Government Bonds	142.56	6.65	143.03	147.80	150.17
Municipal Bonds	145.74	6.89	146.14	149.05	151.36
Govt.-guaranteed Bonds	147.78	6.94	147.95	150.27	152.36
Bank Debentures	140.17	7.07	140.31	141.96	143.49
Corporate Bonds	146.68	6.97	146.49	150.80	151.89
Yen-denom. Foreign Bonds	152.11	7.28	151.90	156.64	155.93
Government 10-year†	6.12	n/a	6.13	5.40	5.00

† Estimated par yield

Source: Nomura Research Institute

Ferruzzi to acquire stake in bank

FERRUZZI Finanziaria, the Italian food, agricultural products and financial services group headed by Mr Raul Gardini, is negotiating to take a minority stake in the London-based Italian International Bank (IIB), which is controlled by Italian bank Monte dei Paschi di Siena, Reuter reports.

A Ferruzzi official said the deal was close to receiving Bank of Italy approval, although it still required clearance from the Bank of England. Monte dei Paschi wants to sell its 40 per cent of IIB. It is not yet clear whether Ferruzzi would acquire the whole stake or part of it.

UK GILTS

Frayed nerves as Bunds take a fall

PERFORMANCE indicators for European government bond markets in the year 1848 are few, but what data there is suggests that the gilt-edged market outperformed its continental rivals by a large measure.

The 3 per cent Consols, as they then were, traded in a 62 basis point range during that revolutionary year for an average yield of 3.51 per cent, up from an average yield in 1847 of 3.44 per cent.

In Paris the collapse of Louis-Philippe's regime sent the yield on 3 per cent Rentes to 9.25 per cent; a year earlier it had been trading quietly around 3.8 per cent. The average yield on Prussian state bonds was 4.6 per cent in 1848, up from an average of 3.76 per cent in 1847.

Age has not improved the ability of Europe's bond markets to deal with local upheavals. The prospect of German monetary unification, which led to startling price falls in the German bond market, had repercussions throughout Europe and left markets on tenterhooks.

French OATs ended the week touching 10 per cent; long gilts touched 11 per cent on Wednesday and ended the week just below 10.95 per cent, having, some analysts believe, successfully decoupled themselves from the German bond market.

Whether the apparent decoupling of gilts from Bunds proves durable depends on the interpretation placed on last week's sharp falls in German bond prices. If what happened was simply a reaction by investors to uncertainty then a return to normality can be expected once this subsides. The implications for gilts are, therefore, transitory.

If, however, the German bond market was saying something about expectations for German inflation or, more interestingly, about an upwards rerating of the real interest rate necessary for scarce German savings then the situation is altogether different. And that becomes a situation from which Britain and the gilt-edged market cannot remain isolated.

Equity markets started the year singing the praises of economic reform in eastern Europe and counting the extra returns they saw in store from potential development. But, as Mr John Shepperd at Warburg Securities points out, if the Bund market is saying the cost of the development of the east is higher real interest rates in the west then we all may have to live with more sluggish growth than would otherwise have been the case.

Leaving "megatrends" aside, others in the market have reasons for thinking that the gilt market's relative stability may be short lived. Mr Stephen Hannah at NatWest Capital Markets points out that much of the recent foreign interest in the gilt market may prove transitory.

Foreigners have shown a liking for the short-to-medium end of the market over the past couple of weeks, but he attributes this to uncertainties in the major markets, viz, the dollar, yen and D-Mark. The current high level of short-term interest rates has attracted foreign investors waiting for the US Treasury to complete its quarterly refunding and the outcome of lower house elections in Japan.

The Bank of Japan is likely to raise official interest rates after the February 18 election and that could prove to be the top of the Japanese interest rate cycle. The Bundesbank is more than likely to do the same.

A move in any of these markets which clarifies uncertainty is likely to be bad for gilts.

The Bundesbank takes a serious view of developments in the Bund market. Other things being equal, which they are not, a rise such as occurred last week would have meant a swift rise in short-term official rates to dampen fears of inflation.

There are few in the market who do not think the Bundesbank will raise interest rates and, as Mr Peter Spencer at Shearson Lehman Hutton points out, it will be extremely difficult for the UK not to follow suit. From the Bank of England's point of view the reaction of sterling will govern its policy recommendation. But there is little room to manoeuvre.

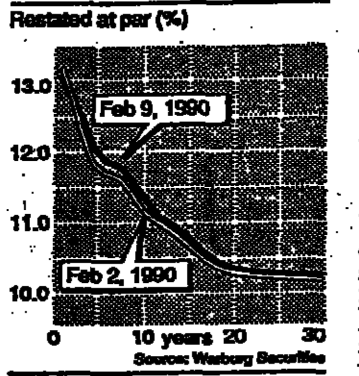
The Treasury, for its part, thinks the strain in East and West German unification will be taken by West German fiscal policy. The Bundesbank will keep monetary policy tight, but will not tighten it further, while the West German budget deficit will be left to sort out the developing country problems besetting East Germany.

Decoupled or not, the gilt market faces an increasingly uncertain future from an international perspective, while at home, this week's data, especially the public sector accounts due on Friday, are expected to offer little joy.

Simon Holberton

UK gilts yields

Restated at par (%)



Source: Warburg Securities

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.B.N. 9⅜ 94	200	99¼	−⅛	9.31
ABBEY NATIONAL 8⅞ 93	150	98¼	0	9.47
AETNA LIFE & CAS 7⅜ 16	200	95⅞	0	8.14
AHPC O/S FIN. 11⅜ 94	100	100⅞	+⅛	11.47
ALBERTA PROVINCE 7⅞ 91	750	97⅞	0	8.95
ALBERTA PROVINCE 9⅜ 95	600	101	0	9.11
ALCOA AUSTRALIA 11 92	80	100⅝	+⅛	10.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
QUEBEC PROV 9 98	200	98¼	+⅛	9.21
QUEBEC PROV 13 90	150	102⅝	−⅛	9.32
QUEENSLAND GOVT 10¼ 95	100	103⅝	0	9.47
RALSTON PURINA 11⅛ 95	150	104	0	10.20
REYNOLDS R.J. 10¼ 99	100	92¼	−⅛	13.09
RICHARDSON-VICKS 11½ 93	125	101⅛	−⅛	10.84
ROCKWELL INT 9⅞ 90	200	100	0	9.51
S.A.S. 10¼ 95	150	101½	−⅛	9.76
SAINSBURY 9⅛ 96	150	98¼	0	9.49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RANKS HOVIS 4⅜ 03 £	59	122	−2⅝	−0.47
ROCKEFELLER CENTER 0 00	952	36¼	+⅛	−60.65
SANWA BANK 1¼ 02	300	96⅞	−⅛	−0.90
THORN EMI 5⅜ 04 £	103	108⅝	−½	4.84
YEN STRAIGHTS				
ALLIED-SIGNAL 6⅜ 93	20.0BN	98¼	−⅛	7.43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on FEBRUARY 09

UK COMPANY NEWS

Ratners calls off plan to bid for Dixons

By Maggie Urry

RATNERS, the jewellery retailer headed by Mr Gerald Ratner, had worked on a bid for Dixons, the electrical retailer, for some weeks, at a price of up to 160p a Dixons share.

However, the plan was dropped 10 days ago because Ratners decided the earnings dilution involved would be too great.

A tie-up between the two groups has been discussed before. Mr Stanley Kalms, Dixons' chairman, is believed to have approached Mr Ratner's father 15 years ago with a takeover proposal. Mr Ratner and Mr Kalms have talked about a merger at various times over the last 18 months.

Institutional backing for the bid had been assembled. But recent bad news from other heavily-borrowed companies exposed to consumer spending – such as the problems at Coloroll, the home furnishings group, and the second refinancing at Lowndes Queensway, the furniture and carpet retailer – made institutions wary of underwriting the proposed deal and the level of debt it would leave Ratners with.

Last December Kingfisher, the retail group which owns the Woolworth, Comet, Superdrug and B&Q chains, bid 120p a share for Dixons. That bid was last month referred to the Monopolies and Mergers Commission which is due to report by April 27. Kingfisher said yesterday it had not decided whether it would bid for Dixons again if the Monopolies Commission allowed it to.

The 160p a share offer Ratners was working on – which would have valued the whole of Dixons at close to £800m – is thought to be higher than Kingfisher would be prepared to pay if the Monopolies Commission clears the bid.

But Dixons stressed yesterday that it was not a price the group would have accepted; more a starting point for discussions. Dixons shareholders might, however, have been prepared to accept the offer.

Ratners is now expected to look at making a bid for Kay's, a US jewellery retailer, which is valued at around $300m and has a further $200m of debt. It has 500 shops but is significantly less profitable than Ratners' US jewellery business which has the same number of outlets.

Court decision crucial to outcome of Wilkes bid

By Clare Pearson

THE FATE of a 9 per cent shareholding in Easterbrook Allcard, the privately-owned Sheffield cutting tools concern, which is crucial to the outcome of a takeover bid from James Wilkes, the listed engineering, printing and packaging company, is to be decided in a High Court hearing starting this afternoon.

James Wilkes has claimed receipt of irrevocable undertakings to accept its £11.5m offer for Easterbrook in respect of more than 50 per cent of the ordinary shares, including the 9 per cent which is being contested. The Court will have to decide among other things the question of whether powers of attorney given to a Sheffield solicitor were valid, effective or enforceable to appoint him as attorney or agent for the holders of the 9 per cent block of shares.

Record Holdings, a power tool manufacturer also based in Sheffield, launched a £13.2m "white knight" bid last week. Directors of Easterbrook and certain other shareholders representing about 29.7 per cent of the ordinary shares have accepted this offer.

Revoking shareholders are seeking injunctions preventing Mr Andrew Coombe, of solicitors Keeble Hawson, from acting or purporting to act as their agent.

Returns might not look acceptable in BAT bid

By Nikki Tait

PRICE Waterhouse, the accountancy firm which has been acting for Sir James Goldsmith's Hoylake consortium, has testified that if the consortium was obliged to pay as much as £10.50 a share for BAT Industries, the UK conglomerate which it has been trying to take over, the investment returns might not look acceptable.

The statements were made by Mr Stephen Barber from Price Waterhouse, in hearings before the Illinois insurance department last week.

Hoylake and Axa-Midi Assurances - the French insurer which would buy BAT's US insurance subsidiary, Farmers Group, from the consortium - are currently seeking approval from nine state insurance departments for the potential change of ownership at Farmers. Illinois is the first state to hear the case.

Towards the end of last week's hearing, Mr Barber - under cross-examination from the Farmers' lawyers - was asked when the return from acquiring BAT might begin to look unacceptable.

"Even at the price of £8.50 (per share), the return is not very large," he commented. "It is not enormous. There is a reasonable return for the shareholders (of Hoylake)." The consortium suggested last November that it would currently pitch an offer at £8.50 a share, with at least 80 per cent coming in cash.

"Beyond the price of £10.50," continued Mr Barber, "one would have to look very carefully at whether one should go ahead with trying to buy BAT". He stressed that this was only a personal view, and that he had no idea what return Hoylake investors were seeking.

Nevertheless, his comments point up importance to BAT of keeping its current share price relatively high - thus diminishing the potential margin for Hoylake. It closed on Friday at 806p.

Meanwhile, attention in the US insurance hearings is likely to shift to Los Angeles this week, as California becomes the next state to hear the case.

Nightmare on Throgmorton Street

Philip Coggan on share suspensions, the Stock Exchange's most powerful weapon

SUSPENSION OF a company's shares is one of the worst nightmares that can befall investors. All too often the company drifts into limbo, in which information becomes a scarce commodity.

The Stock Exchange argues that suspension prevents informed investors benefiting at the expense of the majority. The problem is that suspension is the Exchange's most powerful weapon; once it has been fired, there is little that can be done to protect shareholders.

In an attempt to give shareholders some idea of the current situation, the Financial Times has investigated the current denizens of limbo. In some instances the news is hopeful; in others depressing; in many, the outlook is distinctly hazy. To refresh memories, the last quoted price is given and to help puzzled investors, we have shown the name of the chairman, where appropriate, and a head office number, where known.

The market capitalisation figures are included, not to give an idea of the present value of the group, but to give an idea of the amount of shareholders' investments at stake. Sadly, in many cases, the shares will be worth much less and in some cases, nothing at all.

Blanchards

This USM-quoted company has sold most of its main businesses, retaining corporate interior design and overseas landscaping subsidiaries. A reverse takeover by a property company, which prompted the suspension of the shares last April, has been abandoned. Acquisitions are being pursued.

Suspension price: 66p
Market capitalisation: £5.8m
Head office: 01-235 6612

Cambridge Inst

This scientific and optical instrument company was one of the Government's first privatisations. A spate of deals has followed its flotation and its most ambitious merger to date with Swiss group, Wild Leitz, prompted the shares suspension last July. The deal has received regulatory approval in Continental Europe and the UK but is still completing the process in the US.

Suspension price: 58p
Market capitalisation: £56.6m
Chairman: Mr Kenneth Gooding
Head office: 0954 782020

Charterhall

This company is the UK subsidiary of Westmex, the Australian investment group run by Mr Russell Goward which went into liquidation last week. Charterhall shares were suspended in December because of Westmex's problems. The UK group is having discussions with its lenders and Coopers & Lybrand have been called in to produce a consultancy report on the company's operations. The hope is that the listing will be retained.

Suspension price: 9½p
Market capitalisation: £49.2m
Head office: 834 8644

Craton Lodge

This USM-quoted product development consultant is understood to have abandoned plans for a reverse takeover by FTC, a publishing and marketing group. The company's shares were suspended in October. Craton, which made an interim loss in the six months to March 1989, is now pursuing a further acquisition and capital funding package.

Suspension price: 43p
Market capitalisation: £2.5m
Chairman: Mr David Mahony
Head office: 01-602 7272

Diamond Group

Diamond has had less than a sparkling time on the USM since it was floated in April last year. Its shares were suspended in October because of problems in its Yorkshire mechanical breakdown insurance business, which is set to be sold. Investigations into the company's problems by Touche Ross and Arthur Anderson were launched and the reports have yet to be completed.

Suspension price: 65p
Market capitalisation: £12.5m
Chairman: Mr Derek Diamond
Office: 041-333 9797

James Dickie

This Scottish forging and castings manufacturer expects shortly to send circulars to shareholders regarding a reverse takeover by Goldstar, a private engineering group. Shares were suspended in December pending the deal.

Suspension price: 180p
Market capitalisation: £3.3m
Chairman: Mr Kenneth Dickie
Head office: 0292-265041

Dominion Intl

Administrators were appointed on January 22 to oversee the affairs of the financial services and property group. They have said the chance of shareholders recovering any of their investment is "extremely remote." The shares were suspended on September 21 last year and in October, the company cancelled its final dividend because it lacked distributable reserves.

Suspension price: 52p
Market capitalisation: £34.7m
Administrators: Mr Michael Gercke and Mr Mark Homan, Price Waterhouse. 01-378-7200.

Eagle Trust

New chairman Mr David James is attempting to resuscitate this Midlands mini-conglomerate by spinning off major businesses. There is little chance of a relisting for the main group. After an investigation by the Serious Fraud Office, a warrant was recently issued for the arrest of Mr John Ferriday, former chairman, on a charge of stealing £13.8m from the company.

Suspension price: 18p
Market capitalisation: £137m
Chairman: David James
Head office: 021-550 4868

Falcon Resources

Falcon is the grandaddy of all suspended shares, having last seen dealings in October 1985. Accounts for the years 1985, 1986 and 1987 were finally produced in October 1989 but could not be sent to shareholders because of insufficient funds. They revealed that shareholders funds had been wiped out by losses. An EGM has now been called to discuss the group's refinancing needs and plans to raise £4.75m are, the company says, at an advanced stage.

Suspension price: 45p
Market capitalisation: £20m
Chairman: Mr James Butterfield

Feltrim Mining

This Third Market Irish company was suspended last July after Mr James Fitzsimmons and Mr Derek Kelly took a 25 per cent stake. A subsequent merger with Pan Andean Resources has been abandoned. Feltrim is now in merger discussions with another mining company.

Suspension price: 45p
Market capitalisation: £1.1m
Chairman: Mr Bernard Cahill
Head office: 0001 461 364

James Ferguson

Ferguson grabbed the headlines as the parent of defunct investment group Barlow Clowes. When Barlow crashed, so did Ferguson. Peat Marwick, the group's administrators, who have been arranging asset sales, did not return calls last week.

Suspension price: 46p
Market capitalisation: £18m

Headlam Group

The safety and sports footwear group is in the middle of its second share suspension over the last year. The first suspension allowed it to buy Phipps, the sportswear group; the current hiatus centres round the reverse takeover by Cadogan Oakley, a men's accessories and furniture group. The deal is still proceeding and shares are expected to resume trading in April.

Suspension price: 76p
Market capitalisation: £6.9m
Chairman: Mr John Chaplin
Head office: 0604 234121

Memory Computer

This Irish computer systems group had its shares suspended last December. A management buy-out of its Irish operations has been abandoned. The company is expected to announce substantial losses shortly and is arranging a financing package.

Suspension price: 7½p
Market capitalisation: £2.9m
Company broker: Davy 0001-797788

Noble & Lund/Cooks

The shares were suspended in March last year after the discovery of accounting errors at Kwiklok, a subsidiary which has since been sold and gone into receivership. The planned reverse takeover by New Zealand company Theseus Investments has since been abandoned, although Antipodean businessman Mr Ross Martin is still on the board. Chairman, Mr Roger Looker, resigned last month. The company, renamed Cooks Industries, is negotiating with another group with a view to a requotation, probably on the USM.

Suspension price: 96p
Market capitalisation: £12.7m
No current chairman

Pavion International

The "Wet'n'Wild" cosmetics company, one of the USM's worst calamity stories, is now in administration. The administrators are attempting to sell the group's US businesses and any return to shareholders will depend on the prices received.

Suspension price: 3p
Market capitalisation: £5.7m
Administrator: Mr John Soden, Price Waterhouse 01-378 7200

Ross Group

Formerly known as Ross Consumer Electronics, this USM company is being reshaped by a management buy-in team led by Mr Roger Shute. The shares were suspended late last month pending shareholder approval of a £8.5m rights issue and two acquisitions.

Suspension price: 156p
Market capitalisation: £15.4m
Chairman: Mr Roger Shute
Head office: 01-740 5252

Scottish Ice Rink

Shares in this leisure company, and long time shell, were suspended in November 1988 when it planned to acquire the Pheasantry, a wine bar and restaurant company. The deal fell through and the group is still seeking to make another acquisition and obtain a relisting.

Suspension price: 84p
Market capitalisation: £5.7m
Chairman: Mr Roger Peters
Head office: 568 6281

Sharp & Law

After a series of embarrassing announcements about accounting errors and profits warnings, the Bradford-based shopfitter went into receivership in October last year. Receivers Cork Gully are selling off businesses to repay creditors but have decided that the ordinary shares have no value.

Suspension price: 42p
Market capitalisation: £3.7m
Receivers: Michael Jordan at Cork Gully 01-606 7700

Staks Holdings

Another victim of the retailing slump, Staks went into receivership in January. The cane furniture chain was floated on the Third Market in December 1987 and made a pre-tax loss of £1.64m in the year to April 1989. The receiver has determined that the shares have no value and shareholders will shortly receive a circular explaining the position.

Suspension price: 5½p
Market capitalisation: £2.5m
Receiver: Richard Rees, Price Waterhouse 0533 531981

Systems Connection

Shares were suspended in January pending the acquisition of a US computer peripherals company larger than Systems itself. This Third Market company was previously known as Sonic Tape.

Suspension price: 3p
Market capitalisation: £600,000
Chairman: Mr Derek Moon
Head office: 0753-21610

Titaghur Jute

Titaghur was the best performing share of 1988, a year in which dealings were suspended because of failure to pay the annual listing charge. The shares roared ahead, on their return to trading, because of the involvement of Mr Reg Brealey, who planned to restructure the textile group. But Mr Brealey is now facing insider dealing charges, which he denies, and the Stock Exchange is insisting that the shares stay suspended until the situation is clearer.

Suspension price: 1688p
Market capitalisation: £24.1m

WB Industries

Shares in this Midlands manufacturer were suspended last week, pending an acquisition announcement. The group recently acquired two spring manufacturers and made a five-for-two rights issue.

Suspension price: 26p
Market capitalisation: £9.5m
Chairman: Mr Graham Avery

Rosehaugh property scheme to increase cash flow

ROSEHAUGH, the property development and investment group which last week surprised the City with a £125m call for funds, is seeking to increase its cash flow with an aggressive campaign to sell off residential properties, writes *Paul Cheeseright.*

Rosehaugh Copartnership, the subsidiary handling the sales, appears to be following Regalian Properties, which last week offered a pay-half-now-and-the-rest-later scheme on £180m worth of London homes.

The residential sales scheme is unrolling against the background of persistent speculation that Rosehaugh wants to sell some of its larger commercial properties in order to reduce indebtedness. Specifically, it is suggested that it will sell its half share of Rosehaugh Stanhope Developments to Stanhope Properties.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Black (Peter), Dalgety, Essex Furniture, Howard Hldgs., Hunterprint, Mid Wynd Intl., Orchid Technology, Second Alliance, Triton Europe.

Finals- Fairway (London), TR Pacific Investment Trust.

FUTURE DATES

Interims-

Fleming Overseas Inv.	Feb. 13
News Intl.	Feb. 15

Finals-

Abbott Mead Vickers	Mar. 14
BICC	Mar. 6
Campari Intl	Feb. 20
Greggs	Mar. 6
River & Mercantile	Feb. 15
T & N	Mar. 14
Trust of Property	Feb. 15

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Northam Platinum (Section: Mines-Diamond & Platinum).

Oxford Virology (Third Market).

FINANCIAL TIMES STOCK INDICES

	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 2	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.15	81.26	80.80	81.23	81.02	81.51	89.29	80.80	127.4	49.18
Fixed Interest	91.35	91.46	91.25	90.97	90.93	91.03	99.59	90.85	105.4	50.53
Ordinary	1830.7	1845.3	1826.2	1835.6	1861.0	1866.4	2008.6	1447.8	2008.6	49.4
Gold Mines	367.7	372.5	375.1	378.5	370.4	362.0	378.5	154.7	734.7	43.5
FT-Act All Share	1156.72	1164.32	1154.55	1160.69	1172.59	1174.99	1226.83	921.22	1238.57	61.92
FT-SE 100	2313.6	2331.0	2307.4	2321.1	2348.4	2355.1	2463.7	1782.8	2463.7	986.9

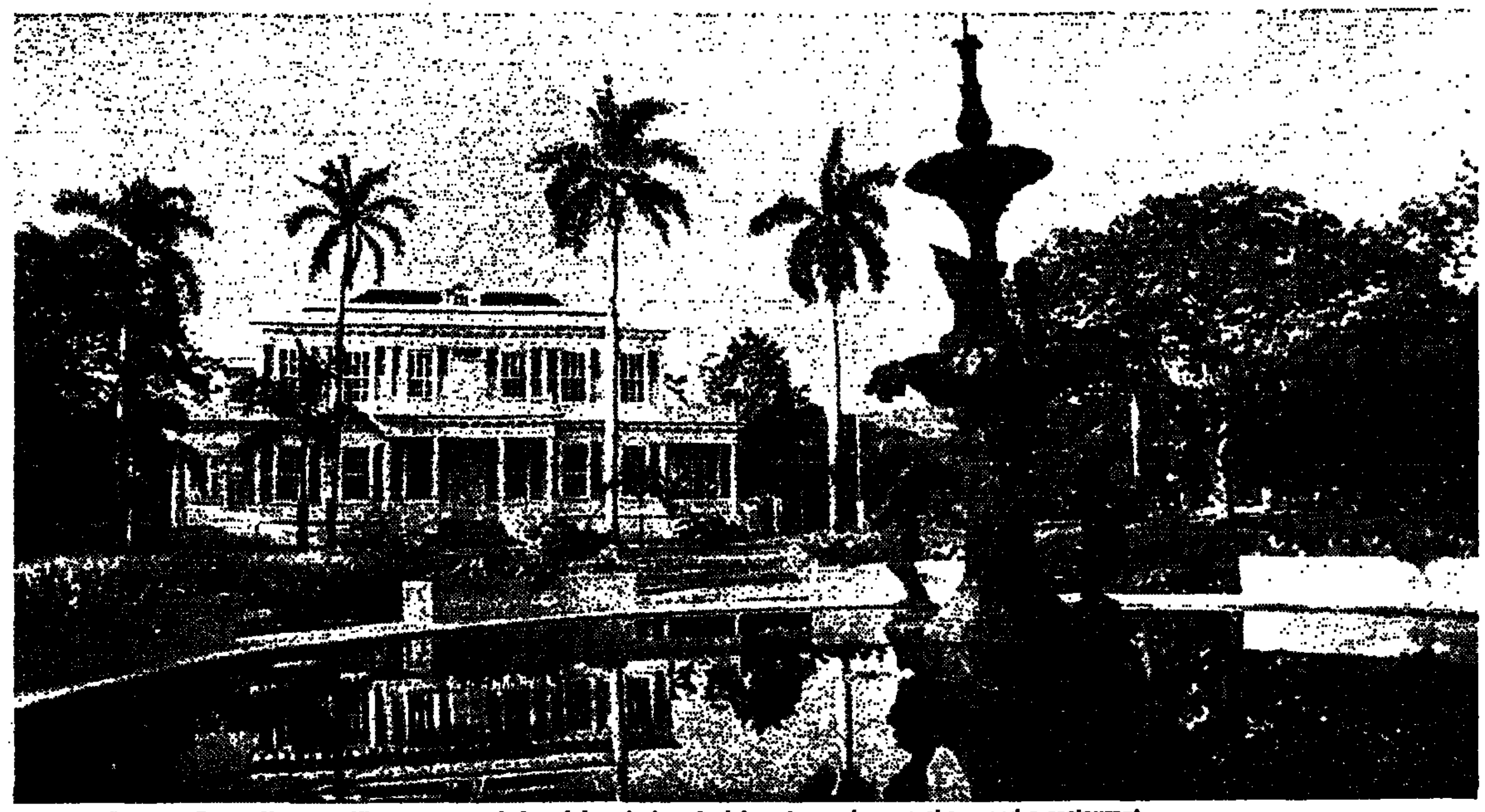
FINANCIAL TIMES
SURVEY

CONTENTS

JAMAICA

In 1988, Hurricane Gilbert delivered a hammer blow to Jamaica's ailing economy. Since then, the Government has tried to restore equilibrium to the inherent financial imbalance. **Andrew Marshall** examines the attempt to leap from the Third World to the First.

Storm clouds persist



Classic reflections: Devon House in Kingston, a reminder of Jamaica's colonial past, now houses shops and a restaurant

"SOON COME" is an all-purpose Jamaican phrase, which can be applied to the arrival of a drink, a plane, or Judgement Day. It carries so little sense of immediacy that it makes *"mañana"* sound like a military command.

For Jamaica, prosperity and economic security soon come: when the process of structural adjustment is complete and the $4.5bn debt is paid off. The country has languished under these twin burdens for most of the period since independence in 1962, and a new IMF programme came into effect this month, promising little but austerity for most of the year. Progress, for most Jamaicans, must seem illusory. Michael Manley, leader of the governing People's National party government, confronts most of the same problems in the 1990s which he faced in the 1970s.

Ironically, the main productive sectors of Jamaica's economy – tourism, bauxite and even agriculture – are doing well. But, as Mr G Arthur Brown, Governor of the Central Bank, points out, it is financial imbalances which undermine the economy, in particular the inability of exports and tourism earnings to sustain imports and debt servicing repayments.

Under Mr Edward Seaga, Prime Minister from 1980 to 1989, Jamaica began to tackle the accumulated structural problems that hampered development. Imports were liberalised, privatisation begun, and the burden of taxation was shifted from producers to consumers. But Mr Seaga's Jamaican Labour Party paid a heavy electoral price for his policies: he was voted out of office in 1989.

Despite Mr Seaga's efforts, Jamaica is still incapable of balancing production and consumption. Last year, borrowing, imports and demand for foreign exchange spiralled, putting pressure on the currency and the current account. This has necessitated another IMF programme, announced on February 1. In return for access to a 15-month IMF standby credit of SDR82m ($108m), Jamaica has agreed to continue the credit squeeze, raise food prices by 19 per cent, and devalue the currency from J$6.50 to J$7.00 to the US dollar.

Mr Manley, who was Prime Minister from 1972 to 1980 and first went to the IMF in 1976, must feel a sense of *déjà vu*. But the country, and Mr Manley, have changed since then. He is no longer the outspoken socialist critic of the international economic order that he was in 1980.

The PNP government has adopted much of the outgoing Seaga government's agenda, continuing with the process of structural adjustment. It has also accepted the IMF's programme; but then, as Mr Manley and his ministers make clear, it had little choice.

Mr Manley's conversion to orthodoxy is one element in the apparent consensus about Jamaica's economy. This has produced a temporary, if unstable political truce between the JLP and the PNP. Mr Bruce Golding, chairman of JLP, suggests there is a need for both parties to co-operate in putting forward the unpleasant policies that are needed to sustain development.

The socialist ideas of the 1970s, inside the PNP and outside, appear out of favour and the sharpest critique of government policy comes from the free-marketeers among Jamaica's private sector. The injunction to "struggle for a worker's government" is painted on a wall by the railway tracks at Marcus Garvey Halt. But nobody seems likely to claim Mr Manley's intellectual baggage from the left luggage locker. Even the Workers' Party of Jamaica has discarded its constitution and programme, and is in the process of defining a new strategy.

Carl Stone, Jamaica's leading pollster, feels the consensus is only skin deep. The natural pressures of political competition will lead the JLP to fault the government's handling of the economy. Neither will the PNP be immune to the stresses of carrying out its present policies: "there's going to be a lot of pressure within the governing party to rethink the strategies of the 1970s, pressure from the left," he says.

The wild politics of the 1970s, when the gunmen threatened to overthrow the ballot box, show no signs of returning. "People had hopes for change, but nothing has changed, so they've retreated to apathy and cynicism," says Mr Stone. But the possibility of social unrest still exists, given the disproportionate pressure that the IMF agreement places upon the poor. "Manley was elected on the basis that the Seaga administration had failed, and he would make progress that would benefit the poorer sections of society," David Jessop of the West India Committee points out.

With a $4.5bn debt, and the necessity of annual payments of some $750m on it, there are few options open to Mr Manley. The government is about to begin talks with the commercial banks on rescheduling, and with the Paris Club; but the greater part of Jamaica's debt is to multilateral institutions, and cannot be rescheduled. Removing this millstone would require reform of the institutions themselves.

In the face of domestic austerity and lack of investment, the government is targeting foreign capital, private and official. The opportunities for investment are good in the longer term, the government says. But inevitably, the present financial situation is a deterrent. "Their biggest problem is how to secure foreign investment against a background of problems with the domestic economy," says David Jessop.

The government is also looking for bilateral aid through the framework of the Caribbean Group for Co-operation on Economic Development, a grouping of donors including the UK. The CGCED meets in Paris in the third week of April, and Mr Manley wants them to indicate by March if funds will be available.

But Eastern Europe will account for much of the West's aid budget this year. Jamaica already faces the loss of some of the $25bn in US Economic Support Funds earmarked for 1990, and there are other regional priorities. Though Jamaica is politically closer to Washington than in the 1970s, Mexico will always have geographical proximity on its side.

Mr Manley says that he believes "if we can get through the next six months, we could get into a very significant phase of economic expansion". He points to the rise in tourism; there are expected to be more visitors than in the record year of 1987. The bauxite industry, after a long, lean period, has recovered its strength, and even agriculture now looks likely to overcome the effects of 1988's Hurricane Gilbert.

One weak spot is Jamaica's relatively well-developed light industrial sector, which has had a very rough decade, suffering from the impact of high interest rates, increased foreign competition and contracting markets.

It participated in the recovery of 1985-8, with the garment industry leading the way. But Hurricane Gilbert hit it hard, and this year's austerity is likely to crush the life from all but the most export-oriented sectors.

Like the hurricanes, many of the key determinants of Jamaica's success or failure originate beyond its shores. The economy has two main weak points, says Mr G Arthur Brown, Governor of the Central Bank: rises in international interest rates, which increase debt service payments; and oil prices that raise imports and reduce the bauxite industry's competitiveness. These could stifle any recovery.

If Mr Manley's six-month time scale for economic recovery is not met, the political cost of the programme may start to outweigh its economic benefits. The reward for economic orthodoxy for Mr Seaga's government was electoral defeat, and Mr Manley must wonder whether he can expect any more. The government's first test comes in local government elections due by the middle of the year.

There is even speculation that Mr Manley will step down before the next election, but then as he says, "I have attracted rumour all my life, like meteors attract tails." P J Patterson, Deputy Prime Minister, is seen as heir apparent. Handling the changeover from one generation to the next is a challenge that many Caribbean countries have attempted in the last few years. In Jamaica's case, it will be complicated by the PNP's own movement to the right, and the hole left by the departure of a figure with such a national, regional and international presence. The distortions enforced on domestic politics by prolonged structural adjustment may also lead to realignment in the parties.

But though in the 1970s political turmoil was Jamaica's distinguishing mark in the headlines, what is perhaps most surprising is how robust the political system has been in the face of adversity. Per capita GDP fell by 20 per cent between 1970 and 1980 in real terms, according to the InterAmerican Development Bank, and is still below 1980 levels. Investment fell by 60 per cent between 1970 and 1980 in real terms, and has since recovered slightly to about half its 1970 level. The region has not withstood these pressures uniformly: Jamaicans have only to look south to Grenada, or east to Haiti, to see the chaos that can result.

In the face of so many open questions about the future, there is one enduring certainty that has not changed since Mr Manley was first Prime Minister in 1972. The West Indies will continue to beat England at cricket. The forthcoming test series begins in Jamaica later this month, and the home side will win by three games to nil, Mr Manley believes. "They have new fast bowlers – Bishop will be a tremendous force, and Patterson is learning his length and pace – and they have a lot of depth. Where they are lacking is in batting. Viv (Richards) is not the force he was. On the great hope of the future, Hooper, the jury is out. If he comes good, England is in deep trouble." Mr Manley also looks ahead keenly to another confrontation, the West Indies vs Australia: "That will be an epic struggle," he says, grinning broadly.

The economy has been unable to catch its breath, says Canute James

Bedevilled and crippled by foreign debts

IN ONE painful respect, Jamaicans are among the unenviable leaders in the Americas. The island's foreign debt per capita, at US$1,875, is larger than that of the better known large debtors such as Brazil with $860, Mexico's $1,245 and $1,665 in Brazil.

With a debt service ratio of 46 per cent, the economy has been unable to catch its breath. It has been overtaken by ever widening trade deficits, its reserves have been wiped out, it has a billowing parallel economy which has grown as regulation has increased, and a black economy which deprives the fiscal budget of revenue.

"Debt servicing is the major problem for the economy," says Mr G Arthur Brown, governor of the central bank. "We are working with our hands behind us – we are running on a half cylinder."

After meeting its debt obligations, Jamaica has very little foreign exchange left. It is this need for foreign exchange which is bedevilling and crippling the economy. Current production levels will not do it. In the first nine months of last year the economy recorded a merchandise deficit of $622m on a trade volume of $2.04bn. The deficit was $197m more than that of the corresponding period of 1988. The current account deficit for the nine months was $141.7m.

At the end of last month the government announced the terms of a 15-month standby credit agreement with the International Monetary Fund. In exchange for access to SDR82m, the Jamaican dollar was devalued by 7 per cent to J$7 to the US dollar, and the government said it was continuing a programme of demand management through credit ceilings and high interest rates as part of an effort to cut consumption of imports.

Such policies have been common fare to Jamaicans for the better part of the past decade. Inevitably there are increasing questions whether they can work. Arguments about an alternative to such economic strictures are frequent. "The only alternative is increased production," says Mr P J Patterson, the deputy prime minister.

Yet, many government officials, such as Mr Claude Clarke, former Industry Minister, agree that expensive money, when it can be had at all, is a disincentive to expansion for sectors such as manufacturing which are expected to lead in increased production and higher export earnings.

Business leaders such as Mr Anthony Barnes, president of the Manufacturers' Association, say the return on investment in manufacturing is less than that received from money placed on deposit.

More attractive are higher returns in the distributive trades. But increased activity here means, perhaps, more imports, threatening to defeat efforts to dampen consumption.

"High interest rates and a credit squeeze slam the door on the productive sector," according to Mr Bruce Golding, the shadow finance minister. "Production will get us out of this hole, but not at interest rates of 40 per cent."

Mr Delroy Lindsay, executive director of the Private Sector Organisation of Jamaica, says the policies of the government and the IMF are inconsistent. "How can you increase interests and impose credit ceilings while encouraging investments? It is a recipe for destroying the productive sector."

The answer, says Mr Lindsay, is to move in the opposite direction. "In the 1980s the Seaga administration promised to deregulate the economy, but all we had was the deregulation of imports," he argues. "What is needed is deregulation of imports, as well as exchange controls, prices, wages, and interest rates. We can't have half an economy. Deregulation demands a total approach."

Reacting to these suggestions, Mr Brown says removal of exchange controls would lead to immediate capital flight and pressure on the parity of the Jamaican dollar. It is not now a feasible option, he concludes.

It is a position shared by Mr Omar Davies, director-general of the Planning Institute of Jamaica. "We cannot afford to remove exchange controls," he says. "That cannot be done when we have arrears of US$200m. The government needs $1.2bn per year. If it has no control over the exchange rate it cannot plan a fiscal budget. The issue of exchange controls is not an ideological position. It is just plain arithmetic."

The political implications of such measures are clearly not lost on Mr Golding who believes a change, albeit progressive, is worth considering. "I am not certain that it is in the interest of the country to maintain tight foreign exchange controls," he says. "I do not think one should do this overnight, but the government should not be the dispenser of foreign exchange."

Yet the country's preoccupation with its immediate problems, and the arguments over economic programmes, has masked more positive developments in what Mr Brown terms the "real" economy.

The Planning Institute has forecast GDP growth of about 2.5 per cent for the fiscal year which ends next month, against growth of 0.5 per cent the previous year. The major pillars of the economy are faring well.

Production of bauxite, of which Jamaica is the world's third largest source, has been growing since the end of a slump in the mid 1980s. High demand for aluminium and a global shortage of refining capacity has encouraged the reopening of mothballed plants in Jamaica.

Ore output last year of 9.4m tonnes was 2m tonnes more than 1988, while alumina production grew from 1.6m tonnes to 2.14m tonnes last year.

Ore production is expected this year to reach over 11m tonnes, with gross earnings of $625m. About a half of this is retained by the economy.

After a slight drop in tourist arrivals in 1988, caused by a temporary closure of hotels damaged by a storm that year, the tourism sector expanded again last year. Volumes of both stay-over and cruise ship visitors have increased during the high season.

The two main agricultural exports are also doing better. The 1988 storm forced a reduction in banana exports that year to 28,000 tonnes, but exports last year were 42,600 tonnes and the projection for this year is 70,000 tonnes. The sugar industry has set a target of 230,000 tonnes of raws for the present harvest.

If this is achieved it would be 40,000 tonnes higher than last year. The prospects are good, say officials in the industry, as production is far ahead of the corresponding period last year.

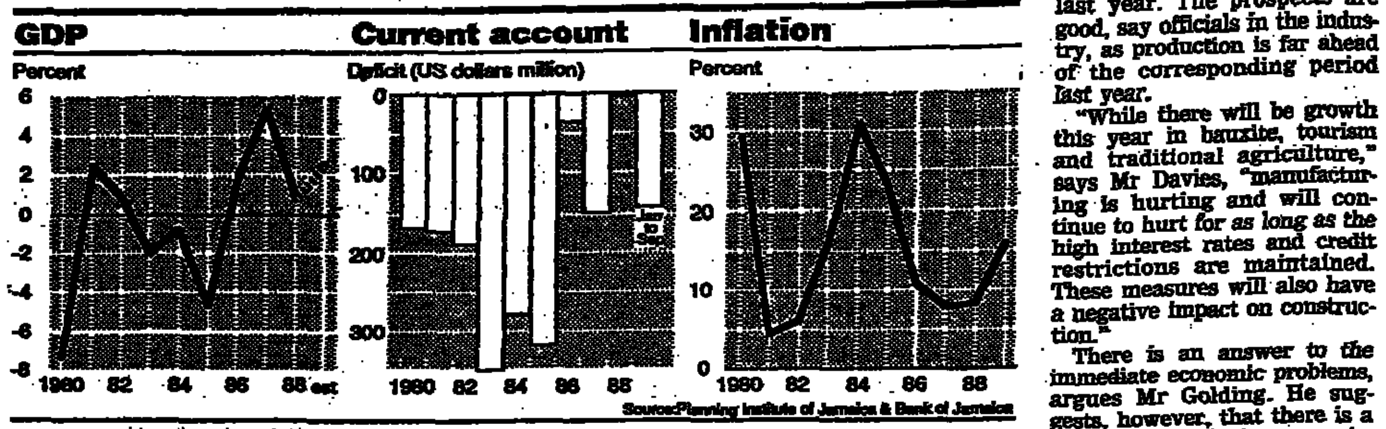
"While there will be growth this year in bauxite, tourism and traditional agriculture," says Mr Davies, "manufacturing is hurting and will continue to hurt for as long as the high interest rates and credit restrictions are maintained. These measures will also have a negative impact on construction."

There is an answer to the immediate economic problems, argues Mr Golding. He suggests, however, that there is a cost which politicians may be unwilling to pay.

"The economic problems are the result of a combination of structural problems and of the policies which are being pursued," he says.

"Any meaningful adjustment programme means short-term dislocation and hardship. But such programmes are politically suicidal. The Seaga government paid a high price and lost support for its efforts."

Mr Manley is optimistic that, unlike Mr Seaga before him, he will not have to pay a political price for the economic programmes. Says the prime minister: "If we can get through the next six months – and I think we can – we will then get into a phase of significant economic expansion."



Preferential treatment

Jamaica gains preferential access to the markets of most developed countries through a variety of schemes:

☐ The Caribbean Basin Initiative allows duty-free access from most countries in the region. Among other sectors, it excludes textiles and apparel and footwear. The cost of the materials produced in one or more beneficiary countries plus the direct cost of processing must be not less than 35 per cent of the value of the product. Materials of US or Puerto Rican origin may be included in the calculation of local value-added.

☐ The Lome II convention allows either zero or reduced duty on imports to the European Community of goods originating in certain African, Caribbean or Pacific countries, including Jamaica. It includes definitions of when a product is deemed to originate in the country concerned, and these are stricter for textiles and garments. A range of products, mainly oil-related, are excluded. There are specific protocols regarding bananas and rum.

☐ The Generalised System of Preferences extends zero or reduced rates of duty to imports from a wide range of developing countries, including most GATT members.

☐ Caribcan permits duty-free export of goods to Canada from Caribbean countries. Textiles, clothing, footwear, leather goods are excluded. There must be a minimum value added content of 60 per cent, with Canadian origin included.

POLITICS

Apparent consensus

THERE was a time, recent enough to be still painful to most Jamaicans, when the island's politics were tribal. The ideological turf was the preserve of zealous dogs of war, waging bloody crusades in the name of a party or a political personality.

This was behind the carnage in the campaign for the 1980 general election, when an estimated 600 people were killed in party political violence. The bloodshed was fired, in part, by political extremes – on the one hand, the strident rhetoric and bombast of the socialist People's National Party of Mr Michael Manley, who then led the government, and on the other, the ultra-conservative inflexibility of the opposition Jamaica Labour Party led by Mr Edward Seaga.

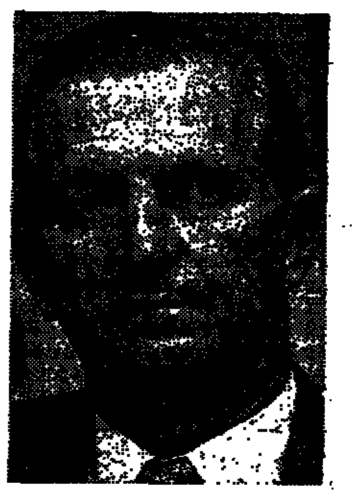
It was all too much for Jamaicans and for some politicians. The 1989 general election was preceded by a pact, publicly signed and supported by Mr Manley and Mr Seaga, to reduce the tension. In the event, it worked – if 16 deaths linked to politics can be called a success.

There is today a high degree of moderation. The political centre is holding, so much so that the victory of the PNP a year ago brought a change more of form than of substance. To a degree, Jamaican governments have few policy options in dealing with the fragile and pressured economy.

"The apparent policy consensus is the function of the IMF/World Bank strait-jacket," concluded Professor Carl Stone, a political analyst who is arguably the Caribbean's leading psephologist. "The new People's National Party administration is simply following what the Jamaica Labour Party did."

The change is reflected in the public statements of some JLP leaders that there is a void on the political left which has to be filled. The PNP has moved back to the Fabian socialist roots planted by its founder, Mr Manley's father.

"The PNP's moderation has been brought about because the country is wary of extreme positions," contended Mr Bruce Golding, chairman of the opposition Labour Party. "The country finds safety and comfort in being in the middle. There is now a need for national consensus on economic strategy. I am not talking about a coalition, but we need a new political culture that will discourage politicians from posturing to voters in a way that is not sustainable."



Terry Kirk

Edward Seaga

But Professor Stone has argued that the reduction of the ideological divide is unlikely to produce common ground despite the economic imperatives. "I do not expect them to get very far with any form of consensus," he said.

Central to the changes in political directions is Mr Manley himself. Much has been made of the "new Manley", said by his detractors and supporters alike to have been converted from the firebrand of the 1970s.

"The change has been born of experience," explained the prime minister. "All over the Third World people have had to learn. The experience of political independence, when one was full of optimism, is followed not by a change of ideals, but by a period of learning what can be accomplished and what cannot be."

Mr Trevor Munroe, general secretary of the Workers Party of Jamaica, which is in the process of conversion from doctrinaire Marxism-Leninism to more flexible policies, has concluded that the narrowing of the ideological spectrum by the two major parties, and their failure to solve the island's economic problems, is reducing their appeal to voters.

"In the 1970s about 70 per cent of the electorate voted on the basis of affiliation to a party," he said. "This is now just over 40 per cent." The danger of this, argued Professor Stone, is increasing apathy and cynicism. "With the last election and a new government, people were hoping for a change," he explained. "There has been no change, and the ranks of the independent voters have increased significantly and the intensity of blind loyalty has declined. People are now very careful about the political choices they have made."

Where will these voters turn? "To the left," argued Mr Munroe. "A political vacuum has developed and is growing. The two major parties have run out of steam. I see dissatisfied elements of the PNP and the JLP, with elements of the left, finding common ground with us on a set of principles."

Professor Stone has concluded that the left can exercise an influence on economic thinking by exercising pressure which can lead to a re-examination of some programmes "... as there is a need to examine the cost benefit of the current economic policies".

Recent reports about the impending resignation of Mr Manley – denied by the prime minister – have raised questions about possible successors to the prime minister, and also to Mr Seaga. Such changes are hardly likely to find favour within the business community.

"Mr Seaga now has a vision of what he wants to do," said Mr Delroy Lindsay, executive director of the Private Sector Organisation of Jamaica. "Mr Manley now has a vision that politics alone cannot do it. But only these two have any vision. All the other politicians are locked into a 1940 scenario. Both parties have a problem of succession."

Professor Stone has concluded that Mr Manley will leave office "as soon as there is some economic calm" before the next general election, due in 1994.

Mr Seaga, he said, will not leave so early. "He is fascinated by the opportunity of another chance to run things," said Professor Stone. "He will not walk away."

Mr Manley refuses to be drawn on the question whether he will contest the next election. "Anyone who can look that far ahead is either a prophet or a fool."

But some who dare to look that far are suggesting that Mr Seaga could be back in 1994. Among them, and not surprisingly, is Mr Golding.

"It is now impossible to govern Jamaica for more than one term and do what needs to be done," Mr Golding said.

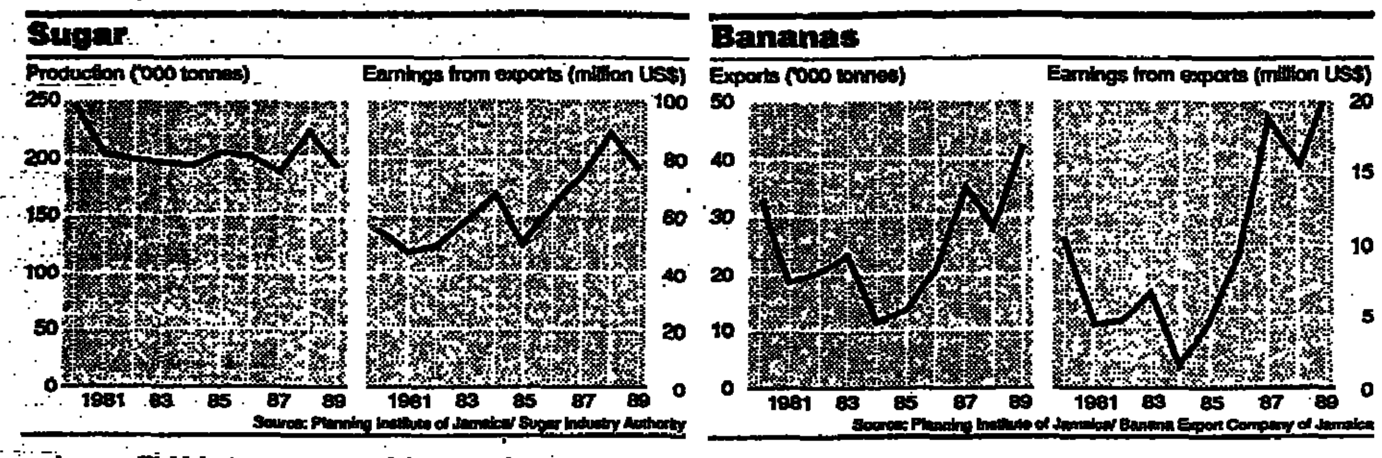
Professor Stone has acquired a reputation for accurately reading the mood of the electorate over the past 15 years. His forecast is hardly likely to bring any comfort to the PNP. "The PNP could be in trouble in the next general election."

The popularity of the PNP and the JLP could be tested later this year in municipal elections. Given the state of the economy and the measures being implemented by the government, these elections are likely to be treated by the parties as being of more than passing importance.

Canute James

AGRICULTURE

Bananas take a battering



IN THE wake of the devastating hurricane of September 1988, Jamaica's agriculture has been struggling to regain its footing. There are signs that the sector will overcome the effects of the storm by the end of this year, but the economy has suffered through lost earnings from exports and higher consumer prices on the domestic market.

The storm cut US$29m of the island's export earnings for the last fiscal year, and caused a 20 per cent decline in production for the domestic market in the first nine months of last year.

"The sugar industry was the least affected of the major crops," reported Mr Frank Downie, executive chairman of the Sugar Industry Authority. "Plants were battered and fields were flooded, and this reduced the amount of canes sent to the mills as well as the sucrose content of the plants."

From peak production of just over 500,000 tonnes 25 years ago, Jamaica's sugar output has declined steadily. Last year's production of 190,000, although affected by the storm, was 2,000 tonnes more than 1987 and 11,000 tonnes less than 1988.

The industry is fighting reduced productivity and contracting markets for an uncompetitive product. Twenty-five years ago the harvest yielded almost 3.5 tonnes of sugar from each acre. Yield last year was 2.1 tonnes.

"One objective is to increase productivity, and we would like to get at least three tonnes of sugar per acre of canes," said Mr Downie. Such increases in productivity may be helped by changes which include mechanisation of some aspects of production. The use of a few harvesters has already drawn more than slight expressions of concern from trade unions. The sugar industry, in a labour surplus economy, provides direct employment for 41,000 people.

The industry's target is 260,000 tonnes a year to meet its guaranteed markets – 126,000 tonnes to the EC, 116,000 tonnes for domestic consumption and 15,000 tonnes for the US market. It is these preferential and controlled markets which keep the industry alive. Without them it would collapse.

Production costs in Jamaica have averaged 19 US cents a pound and have been higher than world market prices in the past few years. The EC pays 23 US cents a pound and the US pays 21.7 cents. "I do not think we will ever achieve the production costs of countries like Australia and Brazil, but this industry is important to the economy," argued Mr Downie. "Sugar earns the country between US$70m and US$80m per year, and is the third largest foreign currency earner after bauxite and tourism."

The banana industry is also aware of the value of preferential markets. Jamaica's fruit, shipped to Britain where it has a protected market, has been threatened by the widespread deregulation which will follow the creation of a single European market after 1992.

"There has been concern about the future of the market," said Mr Marshall Hall, chairman of the Banana Export Company. "But we have had assurances from Prime Minister Thatcher and other British government ministers that, along with the Windward Islands and Belize, Jamaica will still be allowed preferential entry for fruit after 1992."

Ironically, although very vulnerable to natural disasters such as hurricanes, bananas recover quickly. The 1988 storm forced a reduction in shipments that year to 28,000 tonnes, but exports last year were 42,600 tonnes and the projection for this year is 70,000 tonnes. In the 1960s Jamaica's banana exports averaged 150,000 tonnes annually, reaching just over 200,000 tonnes in 1966. In the 1970s the average fell to 70,000 tonnes a year, and to 30,000 tonnes a year in the 1980s.

The decline in the 1970s was caused by a combination of low prices to farmers and the quality of the fruit offered on the British market. After a storm in 1980, the industry was restructured. Three large, modern farms were established with investments of J$290m, Mr Hall said. Insurance coverage for growers was increased and the Banana Export Company was established to handle the marketing of the fruit. Prices paid to farmers were increased from 44 Jamaican cents a pound of fruit in 1984 to J$1.04 a pound last year.

The industry has set an export target of 150,000 tonnes a year. It requires at least 130,000 tonnes a year to achieve efficiency in shipping, according to Mr Hall. The industry employs about 60,000 people, and from the 42,000 tonnes exported last year Jamaica's net earnings were US$20m. The forecast for earnings this year is US$30m.

Other exports have been depressed by the effects of the 1988 storm. Coffee exports in the the first nine months of last year were 536 tonnes, 39 per cent less than the corresponding period of 1988, while cocoa exports fell 26.2 per cent to 1,045 tonnes. Exports of citrus in the nine-month period fell by almost a half to 4,814 tonnes.

Domestic food crop production also declined in the nine months by one-fifth. The Planning Institute of Jamaica, in its latest report, said this fall led to farmgate price increases of between 3.1 per cent and 81.4 per cent for selected commodities.

Canute James

COFFEE

A mountain full of prized beans

THERE is not an awful lot of coffee in Jamaica. But the little that there is, particularly from a 15,000-acre area in the Blue Mountains, is regarded as being the best in the world.

The prized beans are sold for about four times the going rate for other coffees. The price has been a factor not of the small quantities which are produced, say those in charge of the industry, but rather of the quality of the product.

Studies done by the agencies responsible for the Jamaican coffee industry indicate that a tenfold expansion in production of Blue Mountain coffee would not bring prices down.

The island's coffee farms, as with other agriculture, were extensively damaged by a hurricane in late 1988. Production fell last year, but there are now indications of a recovery.

What makes Blue Mountain coffee unique? It is the Blue Mountains, say the Jamaican producers. It is, they explain, essentially a question of location. The coffee is grown in that area of the Blue Mountain range where a contingency of factors such as rainfall, soil types, temperature, and cloud cover influence the characteristics of the beans.

Efforts to expand production have seen many Blue Mountain coffee farmers seeking foreign investors, including some Japanese.

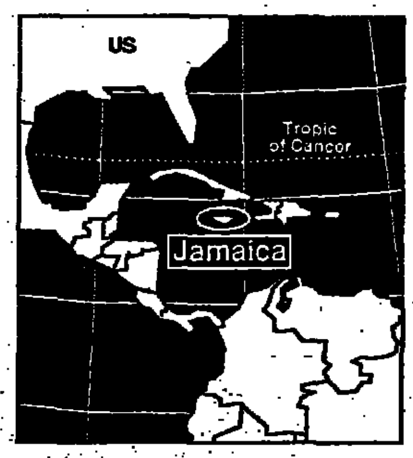
This does not mean there is no merit in other Jamaican coffees. Blue Mountain's poorer cousin, Prime Jamaican, which is grown in other parts of the island, is also not to be taken lightly. It commands prices higher than those paid for most other coffees.

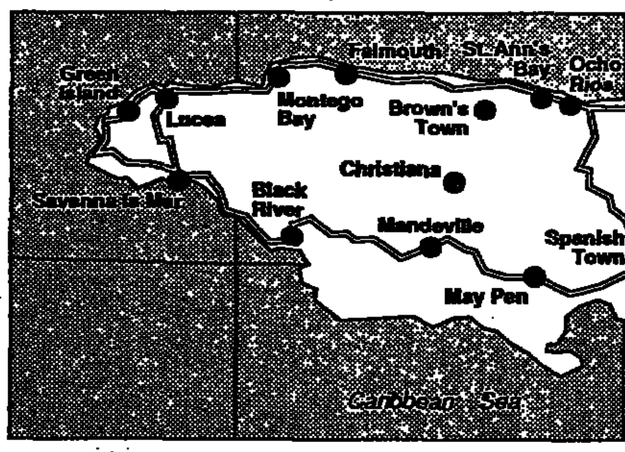
An increase in output of the Blue Mountain beans would allow Jamaica to diversify the market. Japanese importers now take 85 per cent of the product, with the rest going to North America and Europe.

In the 1960s the island's main market for Blue Mountain coffee was the UK. The Jamaicans discovered that the Japanese were the biggest market for Blue Mountain coffee re-exported from Britain. They then began direct shipments to Japan.

Such is the peculiarity of Blue Mountain coffee, that attempts by some countries to duplicate it have failed.

Canute James





KEY FACTS

GEOGRAPHY

Land area:	4,200 sq miles
Capital:	Kingston
Position:	90 miles south of Cuba, 100 miles west of Haiti, 550 miles south of Miami.

DEMOGRAPHICS

Population:	2.4m,
Urban/rural:	52%/48%
Growth rate:	0.01% per annum
Population density:	557/sq mile

EMPLOYMENT

Labour force (1988):	1.075m
Unemployment (1988):	18.7%

GROSS DOMESTIC PRODUCT

GDP (1988):	J$17.5bn
GDP per capita (1986)	$909
GDP growth (1988)	0.6%
1989†	2.5%
1990*	2.5%
Inflation	1988 8.8%; 1989 16%; 1990* 16%

TRADE AND EXTERNAL ACCOUNTS

Exports:	1988 $823.6m
Jan-Sep 1988	$645.9m
Jan-Sep 1989	$711.7m
Exports: regional distribution 1988	
US	45.5%
UK	15.3%
Canada	12.5%
Exports: Product Distribution 1988	
Alumina	$307.2m
Bauxite	$104.9m
Sugar	$88.6m
Bananas	$15.4m
Imports (1988)	$1222.6m
Jan-Sep 1988	$1070.8m
Jan-Sep 1989	1,333.7m
Imports: Regional Distribution 1988	
US	52%
Canada	6.8%
UK	5.7 %
Current account balance (1988)	$180m
Jan-Sep 1988	$134.8m
Jan-Sep 1989	$141.7m

TOURISM

Arrivals (stopovers) 1988	1.02m
Jan-Aug 1988	782,000 (531,000)
Jan-Aug 1989	806,300 (494,900)
Revenue 1988	$552m
Jan-Aug 1988	$456.8m
Jan-Aug 1989	417.2m
Stopovers by country 1988	US 461,000; Canada 93,000; UK 44,000; Europe excluding UK 26,000

GOVERNMENT

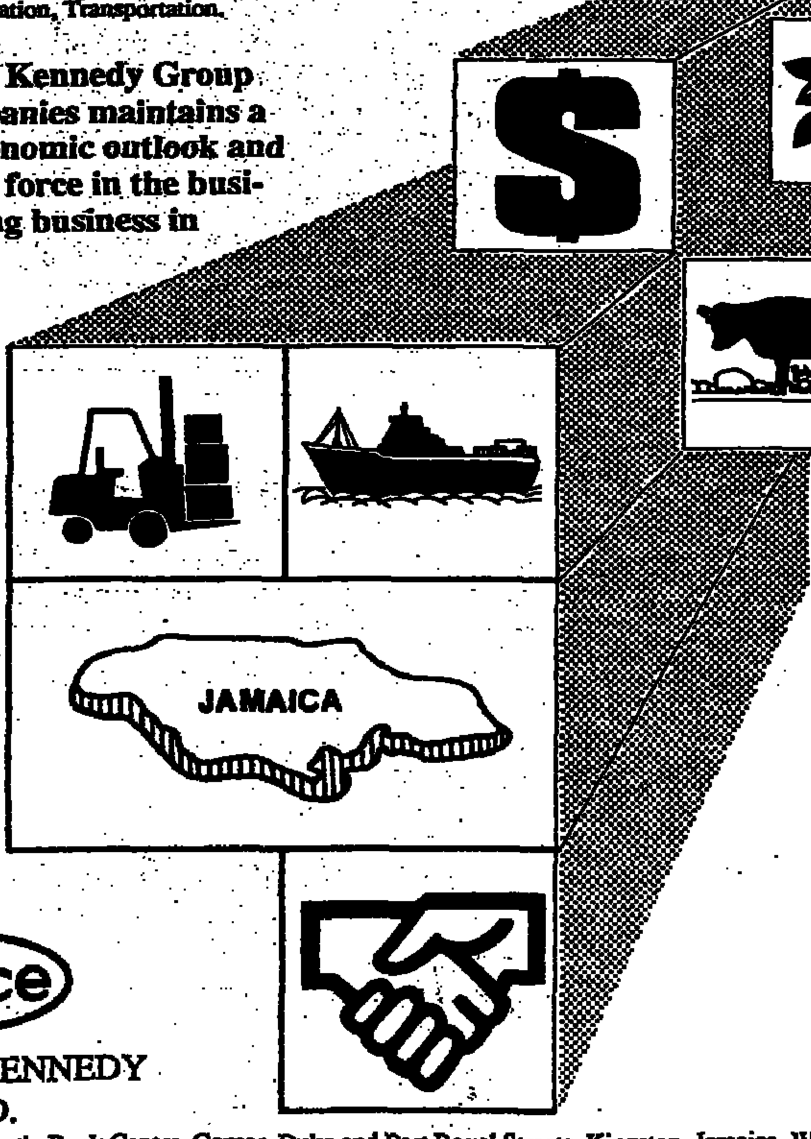
Spending:	1987/8 J$4.14bn 1988/9 J$5.2bn
Revenue:	1987/8 J$5.4bn; 1988/9 J$6.2bn
Current balance:	1987/8 J$1.3bn; 1988/9 J$992m
Capital expenditure:	1987/8 J$1.2bn; 1988/9 J$1.7bn
Overall balance:	1987/8 J$143.9m; 1988/9 J$712.7m

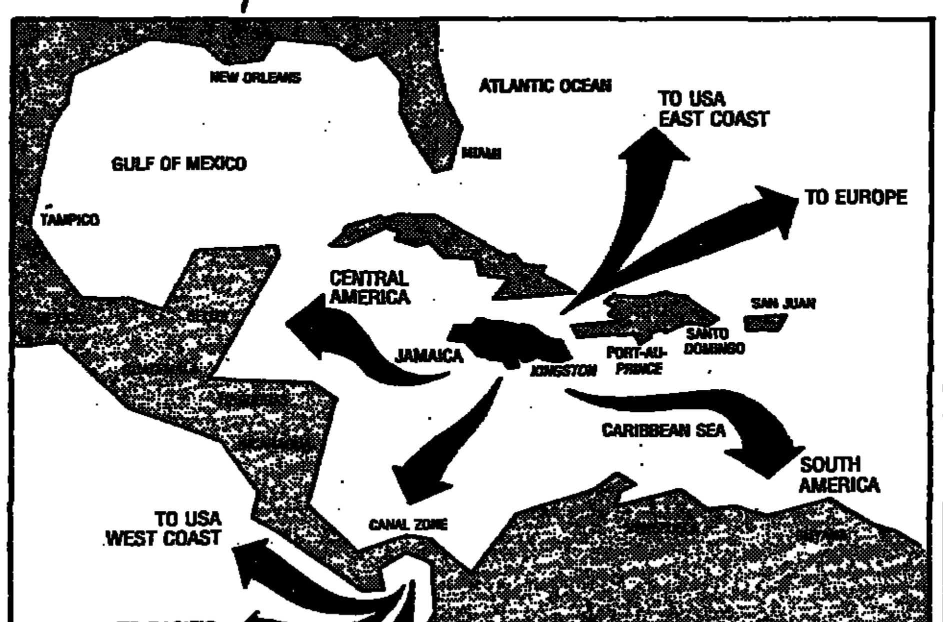
FINANCE

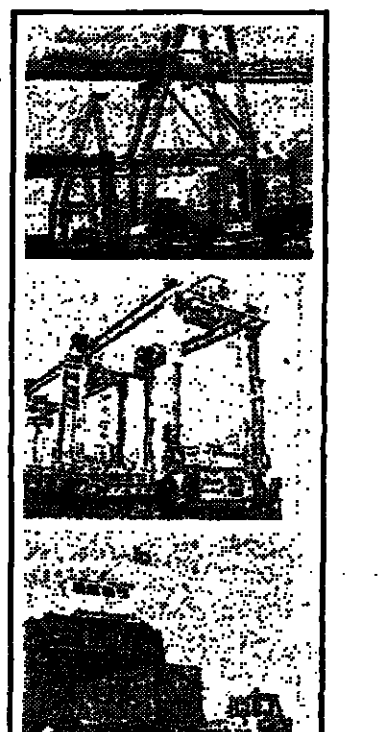
Public Debt:	$4.5bn of which bilateral 46%, multilateral 39%, commercial banks 10% (Trinidad 1988 $1.8bn; Barbados 1987 $621m)
Debt service ratio:	1987 47.54, 1988 38.8%
Reserves:	Jan 1990 -$400m
Currency rate:	$1 = J$7.00 from Jan 31, 1990.
Interest rates:	Oct 1989 Loan rate 27.03%, Savings deposit rate 18%.

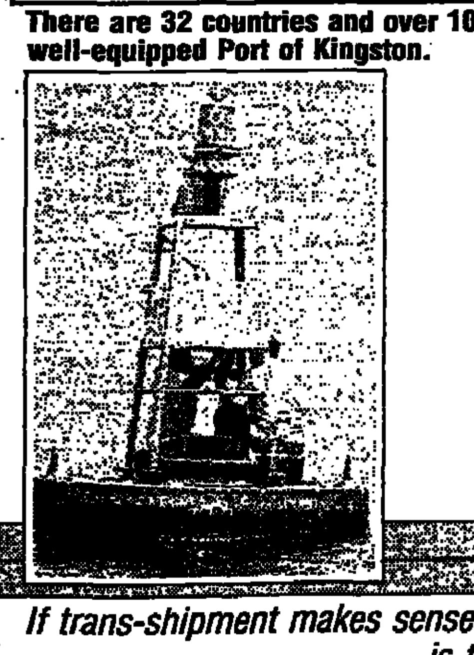
** Projected; † Estimated. Except where stated, dollars are US dollars and figures are for calendar years.*

Sources: EIU, Central Bank, Grace Kennedy, Planning Institute of Jamaica, Central Bank.









High interest rates are taking their toll of industry, says **Andrew Marshall**

More adjustment than structure

INDUSTRY is the paradoxical name of a small, sleepy village on Jamaica's sultry north coast, sheltering under the foothills of the Blue Mountains. Not much happens there.

That is likely to be reflected in the levels of activity within Jamaica's manufacturing sector over the next year, as high interest rates and the painful implementation of a tough IMF agreement take their toll.

Anthony Barnes, of the Jamaican Manufacturers' Association, says that growth was minimal last year, at most 1-2 per cent, after no change in 1988. He expects little if any expansion this year, with the possibility of some contraction.

Manufacturing accounts for about 16 per cent of GDP, and employs about 131,000 people from a total employed workforce of 871,000. Non-traditional manufactured exports account for roughly 25 per cent of all exports – about $245m in 1988, and $113.5m in the first six months of 1989, compared with $122.7m in 1988. Exports from the sector have been flat or declining for most of the past 10 years.

Industry's weakness has been a key part of Jamaica's central problem – the country's inability to match its consumption with production. But the programme of structural adjustment which Jamaica has embarked upon since the early 1980s is, in the short term at least, inhibiting the sector's development. So far, Jamaican industry has seen more adjustment than structure.

In the 1970s, Michael Manley's government focused on import-substitution as the remedy for its economic ills. But the government of Mr Edward Seaga reversed this, and since 1980 the goal has been to shift the economy to an export-driven path through import liberalisation and devaluation. Mr Manley's government is continuing down this route. But combined with persistently high interest rates and reductions in demand, the result has been a paring down of the manufacturing sector.

Manufacturers say the other side of the adjustment policy – measures to provide incentives, reduce bureaucracy, and smooth the exporters' path – was never implemented. Many also complain of the shortage of foreign exchange.

Food, beverages and tobacco together make up about 70 per cent of industrial output, but most production is for domestic' consumption. Exports accounted for $19.3m in the first half of last year, though the value-added and hence the net worth of these exports in dollar terms is high.

Garment industry has grown into an export-oriented business

Other categories of manufacturing, mainly intermediate goods such as cement, steel, chemicals and mineral oils, accounted for about another $22bn of exports in 1988, principally to Caricom. There was also some export of machinery and equipment to the region.

The brightest sub-sector for most of the 1980s has been the garment industry, but it is also the sector where the effects of 10 years of adjustment is most apparent. Export earnings from garments have gone from $13m in 1983 to $220m in 1988, Peter King of Jampro, Jamaica's economic development agency, points out, employing 29,000 at its peak, though it is below that now. Products range from brassières and underpants through sportswear to women's evening wear.

The growth in exports has been mainly to the US, which accounted for $206m of exports in 1988, under the aegis of a 1986 bilateral quota. There has also been some growth in exports to Europe, but this has been a difficult market to crack, says Paulette Rhoden of Crimson Dawn, a Kingston-based firm. Total exports to the EC in 1988 were about $12m.

Manufacturers exploiting the 807A provision of US trade law have made the biggest impact. This scheme enables companies to import fabric which has been produced and cut in the US, stitch it and re-export the garment to the US, with duty paid only on labour and north-bound freight charges. Quotas for 807 are virtually unlimited, says Mr King.

The growth of 807 manufacturing has been a significant boost to employment, and to gross exports. But it has very low Jamaican content: of total export earnings of $120m from 807a, Mr King estimates only $25m represents value-added in Jamaica.

Nor is the garment sector as tightly connected into the domestic economy as it used to be. From its beginnings as a cottage industry in the early 1950s, dominated by small firms run by a few redoubtable Jamaican women, the garment trade has grown into a more outward looking, export-oriented business. But this has been at the cost of the loss of many domestic manufacturers. The opening of the Jamaican market to imports in 1986, high interest rates and rising costs of imported inputs all took their toll. Then came Hurricane Gilbert, which for many was the last straw. "Some have partly closed, others just handed the keys to the bank manager," says Mrs Rhoden.

At the same time, however, foreign companies were investing, exploiting the island's low labour costs and attracted by easy access through preferential arrangements to the US.

The sector is now dominated by several large international companies, many operating out of the Free Zone in Kingston. Mrs Rhoden, who is also vice-chairman of the JMA and former head of its textiles subdivision, says that there are about 250 companies. Of these, only about 40 are exporters, she estimates – down from about 80 in 1986 – and less than half are Jamaican-owned. Given the small size of many domestic firms, the concentration is even greater: Mr King estimates that 80 per cent of the sub-sector's exports are from 20 firms, of which only three are Jamaican. Jamaican firms account for about a third of exports, with US and East Asian companies taking a third each, he says.

Companies based in the Free Zone are tax exempt, so little revenue accrues to the government from their activity, and profits can be freely repatriated. Claude Clark, former Minister of Industry, estimates that the 807 sector actually retains in Jamaica only about 10 per cent of the foreign exchange it grosses. Of the $25m in value-added, perhaps $12m stays in the country, mainly in the form of wages.

He notes the paradox which this has generated: though the sector's external record shows significant growth, given the fall-out in the domestic industry, there has been an overall contraction since 1983.

Overseas-owned companies, which have easier access to capital, fewer problems obtaining foreign exchange and less linkage into the local economy, will be in a better position to exploit the upside of last month's devaluation – its improvement in the country's overall competitiveness. In particular, those in the Free Zones "should get the immediate benefit of the devaluation," says Mr King.

Omar Davies of the Planning Institute of Jamaica says those exporters with a high domestic value added content should also benefit, and thus he expects the agro-processing sector to be one of the brighter sub-sectors.

Overall, the picture is unhealthy. The government is only too aware of the apparent contradiction between seeking to redress its balance of payments problems while squeezing the domestic productive sector. "While we recognise the need to create the conditions to facilitate greater investment and create growth in areas of priority, conditionalities imposed by the IMF and World Bank do not allow a discriminatory approach," Mr Clark says. This rules out differential interest rates for the productive and non-productive sectors.

Though there have been attempts to introduce fiscal incentives for manufacturers, these are hampered by the need to cut back the budget deficit.

Mr Clark is hoping that overseas investment will help to fill the gap left by domestic industry's shortage of capital. Mr King stresses the virtues of Jamaica's geographical position, its preferential market access under a number of schemes, and the value of the Free Zones to investors.

Though such investment is frequently at the low value-added end of the scale, with Jamaica's small size, lack of key industrial inputs and distance from the main markets, "capital intensive industry on a large scale is not on," says Mr Barnes.

FREE ZONES

A model for development

FREE Zones, economic wildlife reserves where market forces can roam in their natural habitat, have become increasingly popular instruments of Third World development. Jamaica has four such zones, one at Kingston harbour, a second in Kingston called Garmex, one at Montego Bay, and one targeted at the rural population in Clarendon.

The zones are at present responsible to different bodies, but it is planned to incorporate them all under the Ports Authority, which manages the Kingston harbour and Montego Bay sites.

The zones, established with World Bank financial assistance, offer a range of incentives to investors:

- Duty free import of material and capital equipment;
- Tax exemption on income earned;
- Proximity to the Port of Kingston, one of the Caribbean's best deep water ports.

But aside from the freedom from restrictions which inhibit many local manufacturers, the zones' chief attraction is cheap labour. The minimum wage rate for a textile worker is J$140 for a 40-hour week. Last year, with a US dollar rate of 5.50 to the Jamaican dollar, this was equivalent to $25.50. After two devaluations in less than six months, it is now $20. As a result, Mr Peter King of Jampro, Jamaica's economic development agency, expects rapid growth.

The labour force is relatively stable. "Initially, in 1984, there was tremendous turnover, but since 1987, there has been a very low level of turnover, says Mr Hewitt. Ninety-five per cent of employees are women.

The Kingston and Montego Bay Zones have been established as non-competitive operations, the former targeted at manufacturing, in particular garments, and the latter at the information sector, including data entry and telemarketing. Montego Bay has a digiport, a facility offering easy international telecommunications access and Kingston is shortly to be linked into this via a fibre-optic line.

The Kingston Zone, initially focused on warehousing, quickly became dominated by the garments sector, says Errol Hewitt, the general manager. This became very apparent when the sector suffered a contraction in its export market in 1987, sparking a fall in employment from 11,000 to 6,000. This was followed by Hurricane Gilbert and by negative publicity about working conditions.

Mr Hewitt says that he has set out to reverse the cumulative effect of these factors by upgrading the plants, creating a better working environment, and improving communication between the manufacturers and the local community. He is also starting a new marketing campaign for the zone, emphasising its proximity to the US market and its ease of access.

Employment has risen to 7,700, with 16 companies of which one – East Ocean Textiles, a Hong Kong-owned firm – employs more than half the total. At its full capacity, the zone could hold 16,000 employees. Most of the employers are from the US and Far East, though there is one company – Medimpex, a producer of pharmaceuticals – from Hungary. Only one is a joint venture with a Jamaican producer.

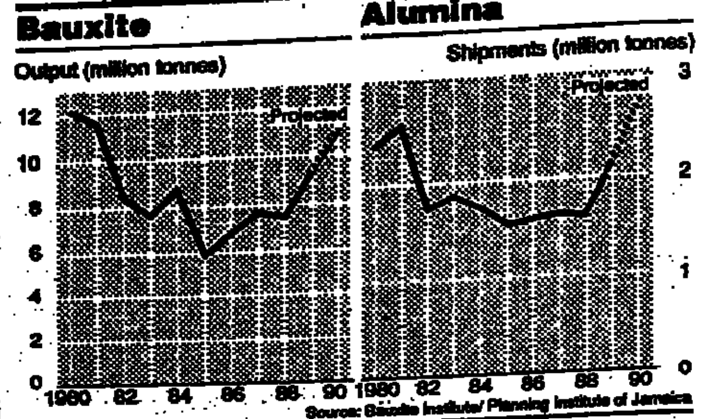
About 90 per cent of production is related to textiles or garments, a dangerous reliance which the authorities are trying to decrease. "We still get requests from the apparel industry, which in our situation we can't turn down," says Mr Hewitt. But he is also targeting food processing, ethanol manufacture, and electronic assembly.

The benefits for Jamaica from the free zones come mainly from employment, and hopefully, in time, from technology transfer. The foreign exchange generated is expected to be $38-40m this year, up from $30m last year.

Delroy Lindsay, of the Private Sector Organisation of Jamaica, sees the zones as a model for Jamaica's development: shorn of red tape, free of exchange controls, the economy could expand rapidly, he believes. "The apparel sector (in the Zone) has grown tremendously, because of its freedom from restriction," he argues.

But Mr Claude Clark, former Minister of Industry, notes that the zones have limitations. The level of dollar retention is low, and there is little spin-off for the local economy beyond jobs – though he hopes the technology transfer will come. Equally, the amount of Jamaican involvement is very small, even at the level of local sourcing of components. "One of the basic focuses is to increase the level of sub-contracting, assisting in the production process," says Mr Hewitt.

Andrew Marshall



BAUXITE

Metals market improves

WHEN the bottom fell out of Jamaica's bauxite industry in the mid-1980s the economy reeled. Production in 1985 was a little more than 50 per cent of the level of five years earlier, and a soft metals market offered no respite.

However, the situation is now improving.Firmer metal prices, indicated by the performance of aluminium on the London Metals Exchange, combined with a more liberal tax regime for miners and refiners and a shortage of refining capacity have worked in Jamaica's favour.

"There was a significant improvement in production last year," reported Mr Carlton Davis, executive chairman of the Jamaica Bauxite Institute. "Bauxite production was 9.4m tonnes against 7.4m tonnes in 1988. Alumina shipments were 2.14m tonnes against 1.6m tonnes in 1988."

The prospects for further expansion are good. Jamaica is the world's third largest bauxite producer after Australia and Guinea (Conakry). With 7 per cent of the world's known reserves, the island has enough to last 2,000 years at present mining levels.

Greenfield and brownfield projects, which will see the most significant investments in the sector in the past two decades, will further lift mine yield and alumina shipments. Ever wary of the boom-and-bust cycle of the industry, Jamaica and the mining and refining companies appear to consider it a fair risk to try to make the best of the current good times.

Central to the present disposition of the companies has been a change in the tax regulations. ~~In 1974 the govern-~~ment, claiming it was not getting a fair share of the proceeds from the industry, failed to get the companies to agree on higher taxes. It unilaterally imposed a production levy on the companies, pegging their payments to the aluminium prices in the main markets.

While the island's earnings from the industry increased sevenfold, the miners and refiners complained that the levy was an unfair burden, and that it made Jamaica's bauxite and alumina uncompetitive. Little surprise, therefore, that when a soft market overtook the industry, Jamaica suffered heavily as worldwide refining capacity was reduced.

The recovery in the market coincided with a change in the tax regulations, with the production levy being cut by one half, but with the companies paying income taxes on their operations in the island. The industry also regained a competitive edge when a fall in oil prices increased the cost efficiency of oil-fired refineries.

A plant owned by the Aluminium Company of America, which had been closed, was reopened and run by a government agency, and then turned over to the company. The island's largest refiners, Alumina Partners, now owned by Kaiser and Hydro Aluminium, was reopened last year. The changes in the tax regime, and the conclusion of a protracted legal row between Alcan and the government over access to alumina from the company's two plants on the island, led to an effort to increase production. Kaiser's mining subsidiary will this year ship larger amounts of raw ore.

"We expect crude bauxite output this year to reach just over 11m tonnes," said Mr Davis, "with alumina shipments of 2.7m tonnes. Gross earnings by the industry in 1989 were US$540m. This year we expect this to reach $625m. About 50 per cent of the gross earnings are retained by the economy."

The new investments expected by the sector include US$50m this year by Alcan in refitting plants and changing the method of disposing of the residue from the refineries. Alumina Partners, which is expecting this year to lift output to 1m tonnes, is considering an expansion of rated capacity to 1.4m tonnes per year, and which is likely to cost between $75m and $100m. The refinery owned by Alcoa and the government is to have its rated capacity increased from the current 750,000 tonnes per year to 1m tonnes per year at a cost of about $50m.

If all these projects are realised, he explained, Jamaica's refining capacity will be increased by about 1.65m tonnes per year, with the additional exports valued at about $350m at today's prices. The Jamaican government is also attempting to get involved in smelting, and has restarted discussions with Trinidad and Tobago on the feasibility of a regional plant to be located in that country, fired by its abundant natural gas and fed by Jamaican alumina.

While the government is clearly keen on finding new markets for bauxite, it makes better sense to sell more alumina. Local processing of bauxite increases value added fourfold. This explains, in part, the government's apparent volte-face in dealing with a supply contract agreed between the previous administration and Marc Rich, the commodity trader. After attacking the agreement in which the alumina was forward sold, the government said it found the arrangement to be "in Jamaica's interest", and secured a $45m prepayment from the company. The government has also forward sold alumina to Alcan.

Clearly aware of the temperamental nature of the market, Mr Davis' appreciation of the healthy state of the industry is moderated by some caution. "These spectacular increases in metal prices will not last," he said. "But anything over US$230 per tonne of alumina is good for most alumina producers."

Canute James

Andrew Marshall investigates the tourist industry

Alluring island in the sun

ANY FOOL can attract tourists to Jamaica. After all, it has some of the Caribbean's best beaches, as well as the mysterious depths of the Blue Mountains, a vibrant culture, good food and a varied history.

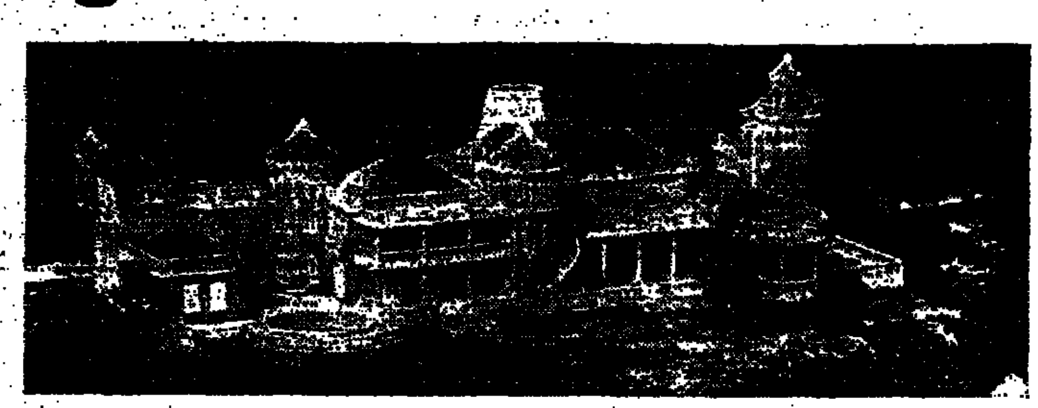
The trick is to get the right people to the right place at the right price. Fortunately, Jamaica's tourist industry is not run by fools, but by some very bright people who have succeeded in doing just that.

The country is becoming skilful at combining adroit marketing with carefully thought out development, and it is paying dividends. Tourism is the single largest source of gross foreign exchange. Last year, more 1m visitors arrived on the island, generating more than $500m in revenues. The industry is projecting 15 per cent growth this year, taking it over the record level of 1987 when stopovers reached 740,000, and is hoping to raise income to $650m.

The sector has attracted some of the island's brightest businessmen over the past 20 years, including Mr John Issa of the Super Clubs Group, one of the island's largest tourist enterprises. Mr Issa pioneered all-inclusive resorts in Jamaica, which include Hedonism II at Negril, Couples, and Boscobel Beach.

For private investors, tourism remains a good bet. It has been growing at about 10 per cent a year, faces few restrictions on its activities, and is well served by the key pieces of infrastructure it needs – airline flights. The Government has been involved in the sector, but is withdrawing and selling off 11 state-owned hotels to the private sector.

Jamaica can offer tourist accommodation from the top end of the market, including huge luxurious villas and imposing balustraded hotels, to cheap guest houses. Most tourists make straight for the sun, sea, sand, and sin of Montego Bay and Ocho Rios, the main north coast resort, or Negril, the former hippy resort on the island's west tip. But a growing number are also finding the lesser known spots of the south coast. Port Antonio, in the rocky, forested Portland area, is one of the more relaxed resorts with all of its local charm intact – at the cost of little new infrastructure.



A German schloss with turrets and winding staircases forms part of the Trident Hotel

If tourism hadn't filled the gap left by the decline of bauxite and the collapse in traditional agricultural markets, Jamaica's economy would have been in a much worse situation than it was during the 1980s. Tourism generated a steady flow of income, with less dependence on imports than the manufacturing sector, though there is considerable leakage of foreign exchange through payments of dollars outside the official system.

Jamaica's history as a tourist destination stretches back to the turn of the century. Traditionally, it was the wintering hole for the high spending, artistic and financial beau monde of Europe and North America. JP Morgan, the banker, brought his yacht here; Noel Coward owned a villa in Jamaica, and so did Ian Fleming, writer of the James Bond books, who took his hero's name from a local ornithological author.

There has been a slow shift in the Jamaican tourist market, away from the established top end of the market towards younger visitors, often with less income, and those with families. The growth of the charter market, from North America, has brought an increase in the summer off season, enabling hotels to maintain staff all year round.

The number of visitors dropped, but less than expected, after Hurricane Gilbert in 1988. The total number of visitors was down only 1.7 per cent, and still more than 1m. Arrivals were up in the first half of last year by 1.7 per cent to 603,857, but the number of stopovers were down. Cruise ships made up the shortfall in arrivals. Consequently, average tourist spending and revenue decreased by 8.5 per cent in the first half of the year to $291m over the same period of 1988, and the occupancy rate fell to 58.8 per cent from 62.8 per cent. This had been reversed by the year's end, and was attributable partly to the hurricane, but also to negative publicity resulting from the election.

A more disturbing trend for the future is the drop in North American visitors. Between January and August 1989, arrivals from the US and Canada fell by 17 per cent, down to 86,204. This has been partly cancelled out by the arrival of visitors from Europe, especially the UK, who form an increasing – if small – percentage of total arrivals. The decline in US visitors is attributed to the weakening of the US economy, and to the proliferation of alternative resorts.

The industry's prospects are bright, as long as it can balance its growth against the existing market and the requirement of maintaining the island's natural attractions. One threat, David Jessop of the West India Committee says, is that the spread of package holidays and the lower end of the trade may conflict with the island's more exclusive market, which is smaller but more lucrative. It would not do for Noel Coward to confront Torremolinos.

Second, though there is likely to be significant growth in the accommodation infrastructure, this must not damage the smaller resorts off the beaten track, which for many are the prime attraction. Negril, only 10 years ago, was relatively unknown; now it is the third destination after Mobay and Ocho Rios. Many of the north coast towns are growing from fishing villages to resorts almost overnight. But at the same time, roads, railways, airports and communications all need increased spending to maintain the present levels of spending.

Tourism, despite its reliance on local geography, is at least as sensitive to external developments as Jamaica's other sectors. The fall in the value of the dollar since 1985 is one factor which has inhibited Americans from travelling, even though Jamaica has become relatively cheaper through devaluations. A collapse in the US economy would hit luxury spending hard – though the top end of the market would probably be safer.

Local events also harm Jamaica's image. Some tourists complain of harassment by "guides" or local traders, some selling souvenirs, others proffering drugs. The violence of the 1970s reduced visitors; and political turbulence anywhere in the region has the potential to scare off tourists.

The free availability of drugs, especially the locally-made ganja, is undoubtedly an added attraction to a Jamaican holiday for some visitors, and an irritant for the industry. The herb is a central part of the Rastafarian religion, but possession is illegal, and the island is making strenuous efforts to crack down on its cultivation and export. As the tourist board warns: "Ganja is illegal and arrests are made daily at Jamaican airports, with many European and American travellers going directly from elegant resorts to drastically inelegant Jamaican jails."

Port Antonio: in the 1930s the fast set came from Hollywood to make it their Caribbean lair

PORT ANTONIO

Lively town of yesteryear

PORT Antonio is not what it was. The north coast town is still a lively place, its market bustling on a Saturday afternoon with shoppers sorting through brightly-coloured fruit, gaudy T-shirts and snazzy straw hats. Young people hang out around the town square, waiting for the clubs to open. Tourists pick through the souvenirs in the shops, and a few Kingston residents roar through town in expensive cars, off to their weekend places to the east. The town is busy, but its greatest days lie behind it.

At the turn of the century Port Antonio was the centre of the banana trade, and on the back of this it was the first place in Jamaica to build a livelihood out of tourism. Bananas went north, and south in the empty boats came Europeans to warm their winter-chilled bones. In the 1930s and 1940s, the fast set came down from Hollywood and New York to make it their Caribbean lair. Errol Flynn bought Navy Island, a few minutes by boat off the coast. Locals still tell lurid stories about Flynn and his lady friends, and his name has become intertwined into virtually every local legend. His wife still lives here, farming cattle up in the hills.

Port Antonio was one of the original Spanish settlements on the island. The Spanish called its twin harbours Puerto Anton and Puerto San Francisco, and the town retains the name of the larger, eastern inlet. The Rio Grande to the west is another memento of those days. But both are now squarely placed in the parish of Portland, in the county of Surrey. The British also left an Anglican church, and Fort George on the tip of the peninsula. Thank God they did not leave their food. Instead, the area is distinguished by jerk pork, a highly spiced meat best accompanied by the local hardough bread.

At the turn of the century, Port Antonio was the centre of the banana trade and was the first place to build a livelihood out of tourism

Up on Titchfield hill on the peninsula, once the social centre of the colonial town, are a clutch of small family-owned guest houses and hotels. The DeMontevin Lodge is the finest, and prettiest, of them all. Its gingerbread and fretwork exterior is newly painted in a deep brick red and bright white, typical of the turn-of-the century architecture of many of the houses. Inside, it is like stepping into the great British seaside holiday: pictures of the Royal Family on the bedroom walls, unreadably overwrought Victorian novels in the bookcase, goldfish by the telly and brass shell cases converted into umbrella stands.

Further east, the accommodation is less intimate if more imposing and distinctly pricy. The Jamaica Palace, a startling edifice with brilliant white columns and balustrades, marble floors and air conditioning fit to rechill European blood, stares across the bay at a yet more bizarre creation: a German schloss, covered in turrets and winding staircases, part of the Trident hotel.

Once, Port Antonio was connected to the rest of the world by sea, road, rail, and air. Few cruise ships call there any more, most preferring the fleshpots of Ocho Rios further to the west. The road still winds over the shoulder of the Blue Mountains and the brave can risk a minibus ride from Kingston, but the railway is dormant. Flying in from Kingston to Ken Jones Airfield, its lines can still be seen, steel beneath the deep vegetation that covers the coastline. Plunging down from the mountains, the tiny TransJamaica plane overflies a decaying DC-3 and three grounded drug-smugglers' planes, almost covered by grass and creepers – a reminder that bananas are not Jamaica's only agricultural crop.

Port Antonio still makes a decent living from bananas and tourism, though not on the scale of past days. The town, like the grounded aircraft and Boundbrook wharf where the bananas were loaded, is gently decaying. The Jamaica Railway Company hopes to repair the line to the town, bringing visitors up from Ocho Rios and taking more of the banana trade through the harbour. Michael King, marketing manager of the railway, describes an ambitious scheme to reconstruct the tourist infrastructure and build a yacht marina to the town's east. But all this costs money, one of many commodities which Jamaica has to import.

Andrew Marshall

PROFILE: MICHAEL MANLEY

A changed perspective

Glyn Genin

Michael Manley: a surprisingly uncomplicated view of his role as Prime Minister

JAMAICA'S Prime Minister Michael Manley has a surprisingly uncomplicated view of his role: "Politicians cannot run countries, they only set directions."

This, in essence, illustrates what is now generally accepted as a changed perspective on Mr Manley's part. As prime minister of Jamaica between 1972 and 1980, Mr Manley spoke repeatedly of the need for the state to control the "commanding heights of the economy".

Today, he speaks of the private sector as the engine of growth. His administration is continuing a programme which has seen the divestment of state enterprises.

"We all learn new things and we all change because we want to and because circumstances with which we deal have changed," he said a year ago when his social democrat People's National Party won a general election. "Are you the same person you were 10 years ago?"

The change, he explains, has been brought about by experience in and out of government. "All over the Third World people have had to learn. The experience of political independence, when one was full of optimism, is followed not by a change of ideals, but by a period of learning what can be accomplished and what cannot be."

In the 1970s, his government's policies and close ties with neighbouring Cuba frightened local business and infuriated Washington. He was, they contended, a closet communist. Today, as vice-president of Socialist International, the federation of social democrat parties, Mr Manley's philosophy is more akin to that of Mr Neil Kinnock, the British Labour Party leader.

Mr Manley, 65, a graduate of London University, entered politics after working as a journalist and then as a trade unionist. He now leads a party founded by his father, and for which he has been an MP between 1967 and 1983, and again since last year. He was Jamaica's prime minister between 1972 and 1980.

Equally comfortable in discussing politics, cricket (his profession and passion, respectively, and on both of which he has written extensively) and John Coltrane, Mr Manley has recently been the subject of speculation about his political future, with suggestions that he might step down soon.

"My view of this is simple," the Prime Minister responds. "I will continue as long as two things obtain. Firstly, that I feel I have something to contribute, and secondly, if my party wants me to continue. The day either is in doubt in my mind, I will quit."

Canute James

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices February 9

[illegible]

MONTREAL

Closing prices February 9

[illegible]				
90780 DomTxtA	$15	$14½	$14½	– ⅛
9530 Mersolec	$09¼	09	09¼	+ ⅛
40014 NatBk Cda	$11	10⅞	11	
47969 Noverco	$12⅝	12½	12½	– ⅛
12280 Power Corp	$15¾	15⅝	15¾	+ ⅛
55880 Provigo	$10	09¾	09⅞	– ⅛
100 Quebecr A	$14	14	14	+ ¼
4136 Quebecr B	$12	11¾	11¾	
6450 Videotron	$14⅛	14⅛	14⅛	

Total Sales 5,366,761 shares.

INDICES

NEW YORK

DOW JONES	Feb 9	Feb 8	Feb 7	Feb 6	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2648.20	2644.37	2640.09	2606.31	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.27	90.98	90.68	90.80	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1088.19	1084.99	1082.86	1071.12	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	223.91	222.90	223.59	222.71	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2666.67 (2674.32) Low 2628.15 (2622.30)

STANDARD AND POOR'S

	Feb 9	Feb 8	Feb 7	Feb 6	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	333.62	332.96	333.75	329.68	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	385.57	384.99	385.39	380.09	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.93	27.91	28.12	27.82	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	184.39	184.09	184.31	182.33	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	360.79	357.69	356.35	354.74	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	428.84	427.32	426.79	423.99	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 2	Jan 26	Jan 19	year ago (approx.)
Dow Industrial Div. Yield	4.16	4.20	3.99	3.45

	Feb 7	Jan 31	Jan 24	year ago (approx.)
S & P Industrial div. yield	3.09	3.19	3.11	3.04
S & P Indl. P/E ratio	14.23	14.06	14.09	13.85

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Amax	9,687,000	23⅛	—
Scudder	3,970,600	13⅝	—
Philip Morris	1,787,300	39¼	– ⅛
Panhandle East	1,776,300	29	+ ¼
Pfizer	1,492,300	67	– 1¼
Chase Manhattan	1,481,500	28	– ¼
Am T & T	1,437,800	39⅞	– ⅜
Gt. Nthn Nekoosa	1,376,900	61¼	+ 2½
IBM	1,265,600	102⅛	– ¼
Bank of N. Eng	1,225,600	5	– ¼

TRADING ACTIVITY

† Volume Millions	Feb 9	Feb 8	Feb 7
New York	147.762	176.240	186.710
Amex	10.060	13.730	11.852
NASDAQ	(u)	140.027	149.301
Issues Traded	1,954	1,956	1,936
Rises	819	769	951
Falls	660	695	553
Unchanged	475	492	432
New Highs	22	40	31
New Lows	51	39	72

CANADA TORONTO

	Feb 9	Feb 8	Feb 7	Feb 6	1989/90 HIGH	1989/90 LOW
Metals & Minerals	2978.93	3000.08	3040.07	3017.54	3919.2 (1/9/89)	3000.08 (8/2/90)
Composite	3777.78	3783.33	3779.23	3769.06	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1909.96	1907.52	1906.47	1896.35	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 9	Feb 8	Feb 7	Feb 6	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1638.6	1648.4	1645.6	1668.8	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	833.8	842.2	834.3	848.9	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	631.38	628.65	616.13	627.68	631.38 (9/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6183.82	6116.13	6164.76	6199.59	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	376.21	375.61	376.96	379.20	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	665.4	665.6	678.6	671.6	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	522.39	519.22	521.73	526.67	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1898.25	1905.51	1895.24	1916.33	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	791.04	796.88	790.69	806.40	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2319.9	2338.6	2322.8	2370.8	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1885.89	1915.79	1900.10	1937.72	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2893.90	2903.77	2844.89	2792.89	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1848.78	1846.43	1842.37	1840.86	1893.10 (22/1/90)	1368.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	671.82	677.73	688.28	686.22	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37288.14	37516.24	37301.87	37666.83	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2734.17	2745.15	2758.36	2766.13	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4284.68	4258.57	4224.91	4197.91	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	605.79	611.08	611.97	610.95	611.97 (7/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	252.1	253.9	249.4	253.0	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	193.4	194.7	191.4	194.1	218.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	803.41	830.32	798.48	799.51	810.32 (8/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1041.06	1039.54	1038.91	1032.38	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	438.82	440.17	448.75	443.34	443.34 (6/2/90)	380.87 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2174.84	2205.0	2220.0	2227.0	2254.0 (12/12/89)	1291.0 (19/2/89)
JSE Industrial (28/9/78)	3178.08	3198.0	3218.0	3211.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	879.10	882.52	880.39	886.86	1007.80 (1/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	286.52	288.47	288.27	291.35	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	773.2	776.1	767.0	771.0	829.1 (6/9/89)	613.1 (5/1/89)
TAIWAN**						
Weighted Price (30/6/66)	12417.47	12054.51	12154.98	12289.36	12417.47 (9/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	805.39	805.39	768.39	798.12	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	543.9	544.3	546.1	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 3: Taiwan Weighted Price: 11869.40 Korea Comp Ex. 874.92

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday February 9 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kobe Steel	6.7m	738	+15	Riken Vinyl	3.9m	1,410	+100
NKK	5.1m	605	+2	MHI	3.9m	1,090	+10
Kawasaki Steel	4.9m	777	-9	Teikoku Oil	3.7m	1,720	-40
Nippon Steel	4.8m	701	-1	Maruzen	3.6m	2,000	+110
Mitsui & Co	4.1m	1,160	0	Sumitomo Mt Id	3.4m	785	+6

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	47.31	48.37	51.58	1.04	41506
(Accum Units)	5	48.68	49.77	53.08	1.04	41507
European Opps	5	72.50	72.78	77.63	0.00	41508
(Accum Units)	5	72.90	73.18	78.05	0.00	46366
Far Eastern Opps	5	136.85	137.09	146.22	0.00	41509
(Accum Units)	5	137.72	137.97	147.16	0.00	41510
Golden Opps	5	46.81	46.81xd	49.92	0.00	41511
(Accum Units)	5	48.15	48.15xd	51.35	0.00	46367
Intl Hi-Yield	5	57.78	58.34xd	62.22	4.42	41512
(Accum Units)	5	62.72	63.34xd	67.55	4.42	46368
Sanyo Japan Tst	5	72.74	72.74	77.58	0.00	41513
(Accum Units)	5	72.74	72.74	77.58	0.00	41514
Kangaroo	5	32.86	32.86	35.04	1.49	41515
(Accum Units)	5	33.05	33.05	35.24	1.49	46369
Oriental Income	5	34.29	34.37	36.65	5.12	41516
(Accum Units)	5	38.44	38.53	41.09	5.12	41517
Pacific Technology	5	59.02	59.02	62.95	0.00	41518
(Accum Units)	5	59.50	59.50	63.46	0.00	41519
Tiger	5	147.98	148.23	158.11	0.71	41520
(Accum Units)	5	150.18	150.55	160.57	0.71	41521
UK Hi-Yield	5	43.47	43.47	46.35	4.92	41522
(Accum Units)	5	49.70	49.70	53.00	4.92	46370
UK Opps	5	54.91	56.01	59.90	1.68	41523
(Accum Units)	5	59.55	60.74	64.96	1.68	41524
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	93.05	94.19	100.20	4.00	–
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Gwth	5¼	44.70	44.70	47.68	0	41525
TR Eur Sp Sits Acc	5¼	41.86	41.86	44.51	0	41526
TR Eur Sp Sits Inc	5¼	41.05	41.05	43.64	0	41527
TR General Growth	5¼	74.58	74.58xd	79.34	2.80	41528
TR Global Tech	5¼	70.27	70.27	74.95	0	41529
TR Income Growth	5¼	87.92	88.42xd	94.06	4.42	41530

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	+ or −	Yield Gross
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3EA 0296 393539				
Life Funds				
Managed Cautionary	105.5	110.4	—	—
Managed Growth	141.7	149.2	+0.6	—
Managed Opportunity	146.5	153.7	+0.8	—
NFMC Target Financial	102.6	108.0	+0.2	—
Pension Funds				
Managed Cautionary	110.0	115.8	—	—
Managed Growth	146.4	154.2	+0.9	—
Managed Opportunity	149.6	157.3	+0.8	—
NFMC Target Mngd Pens	1540.9	1622.1	[illegible]	—
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	227.7	239.7	—	—
Matched Protect Fund	191.0	201.1	—	—
Pens Managed	288.8	304.0	—	—
Pens UK Equity	345.9	364.2	—	—
Pens Overseas Equity	382.2	402.4	—	—
Pens Property	170.1	179.1	—	—
Pens Fixed Interest	178.5	[illegible]	—	—
Pens Index Linked	146.8	154.6	—	—
Pens Deposit	180.7	190.2	—	—
UK Equity	151.1	159.1	—	—
Overseas Equity	136.8	144.0	—	—
Fixed-Interest	120.5	126.9	—	—
Property	141.5	149.0	—	—
Index Linked	133.3	140.4	—	—
Deposit	130.9	137.8	—	—
Managed	145.5	153.2	—	—
With Profits	134.4	141.6	—	—
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

DUBLIN (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Bundesbank may push rates up

ANY VIEW of future developments affecting European currencies and interest rates is inevitably closely tied to events involving East and West Germany. Politically Bonn appears to favour early monetary union between the two German states, but the Bundesbank and financial community are more cautious.

UK clearing bank base lending rate 15 per cent from October 5

Mr Karl Otto Pöhl, president of the Bundesbank now seems to believe such a move is inevitable, and has said the Government can rely on the support of the central bank. At the same time this will not stop the Bundesbank taking precautions to offset the inflationary impact. Rumours of higher West German interest rates began to circulate last week and are likely to grow stronger. A rise in the Lombard emergency financing rate is not ruled out at this week's Bundesbank council meeting.

Mr Stephen Hannah, economist at NatWest Capital Markets, estimates that East Germany's money supply is around 170bn ostmarks. He suggests that the conversion rate between the two German currencies may be 5 ostmarks per D-Mark, and this will increase broad money supply within Germany by 3 per cent, or about a quarter of West Germany's 1989 trade surplus.

Managing this merger and keeping inflation under control is not impossible, according to Mr Hannah, but he adds that any longer-term economic forecasts must be very tentative.

£ IN NEW YORK

Feb.9	Close	Previous Close
£ Spot	1.6960-1.6970	1.6935-1.6945
1 month	0.87-0.86pm	0.88-0.87pm
3 months	2.72-2.69pm	2.75-2.72pm
12 months	9.47-9.40pm	9.37-9.30pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Feb.9	Bank of England Index	Morgan Guaranty Changes %
Sterling	89.4	-22.3
U.S. Dollar	67.1	-10.9
Canadian Dollar	101.5	-1.3
Austrian Schilling	110.8	+12.2
Belgian Franc	109.9	-3.3
Danish Kroner	109.3	+3.9
Deutsche Mark	119.8	+25.4
Swiss Franc	108.6	+16.7
Guilder	114.7	+16.7
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

CHICAGO

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Feb.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6870-1.6995	1.6925-1.6935	0.88-0.86cpm	6.17	2.72-2.69pm	6.39
Canada	2.0145-2.0260	2.0215-2.0225	0.38-0.29cpm	1.99	1.14-1.00pm	2.12
Netherlands	3.17¾-3.20½	3.19¾-3.20¾	1½-1¼cpm	5.39	4⅝-4⅜pm	5.63
Belgium	58.80-59.40	59.30-59.40	21-19cpm	4.04	64-60pm	4.18
Denmark	10.87¾-10.96	10.89¾-10.90¾	2⅝-2⅛orepm	2.61	7⅛-6⅝pm	2.48
Ireland	1.0625-1.0740	1.0690-1.0700	0.32-0.27cpm	3.31	0.95-0.85pm	3.37
W. Germany	2.81½-2.83¾	2.83¼-2.83¾	1½-1⅜pfpm	6.08	4⅝-4⅜pm	6.08
Portugal	248.25-250.00	249.00-250.00	6-24cdis	-0.72	118-162dis	-2.24
Spain	182.65-184.05	183.55-183.85	8-parcpm	0.26	1-11dis	-0.24
Italy	2095½-2111	2109½-2110½	6-4lirepm	2.84	14-8pm	2.09
Norway	10.81¼-10.98½	10.92¾-10.93¾	3⅝-2⅝orepm	3.43	9½-8⅝pm	3.36
France	9.57½-9.64¼	9.63¼-9.64¼	3¼-3⅛cpm	3.97	9¼-8⅞pm	3.76
Sweden	10.30¼-10.35¼	10.34¼-10.35¼	N/A	N/A	N/A	N/A
Japan	245-246¼	245¼-246¼	1⅝-1½ypm	7.63	4⅝-4½pm	7.43
Austria	19.81-19.99	19.94-19.97	11½-10¼gropm	6.39	31½-29½pm	6.14
Switzerland	2.51½-2.53¾	2.52¾-2.53¾	1⅛-⅞cpm	4.74	3⅛-3pm	4.84
ECU	1.3835-1.3855	1.3835-1.3845	0.44-0.41cpm	3.68	1.26-1.21pm	3.57

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.30-59.40 Six-month forward dollar 5.25-5.20cpm 12 Months 9.38-9.28cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6870-1.6935	1.6925-1.6935	0.88-0.86cpm	6.17	2.72-2.69pm	6.39
Ireland†	1.5800-1.5905	1.5815-1.5825	0.41-0.36cpm	2.91	1.38-1.28pm	3.35
Canada	1.1910-1.1975	1.1950-1.1960	0.40-0.43cdis	-4.17	1.27-1.33dis	-4.35
Netherlands	1.8785-1.8905	1.8880-1.8890	0.09-0.12cdis	-0.67	0.29-0.34dis	-0.67
Belgium	34.85-35.10	35.00-35.10	3.00-9.00cdis	-2.06	14.00-24.00dis	-2.16
Denmark	6.43¾-6.47¾	6.43¾-6.44¾	1.86-2.06oredis	-3.65	6.25-6.75dis	-4.04
W. Germany	1.6695-1.6780	1.6745-1.6755	0.01pm-0.01dis	-0.07	0.05-0.10dis	-0.18
Portugal	147.20-147.95	147.85-147.95	80-90cdis	-6.93	310-355dis	-9.03
Spain	108.10-108.70	108.55-108.65	52-57cdis	-6.04	180-185dis	-6.75
Italy	1239½-1247	1246-1246½	3.50-5.50liredis	-4.35	12.00-15.00dis	-4.35
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

Treasury Bills (sell); one-month [illegible] ... 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from February 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

PHILADELPHIA SE £/$ OPTIONS

Strike								
1.650	4.45	4.49	4.71	5.41	0.08	0.93	1.78	3.86
1.675	2.09	2.66	3.08	3.97	0.37	1.81	2.76	5.16
1.700	0.60	1.51	1.99	2.85	1.40	3.06	4.19	6.68
1.725	0.08	0.73	1.27	2.09	3.34	4.83	5.92	8.39
1.750	-	0.30	-	1.45	5.72	6.90	-	10.27

Previous day's open int: Calls 378,758 Puts 438,601 (All currencies)
Previous day's volume: Calls 28,487 Puts 15,547 (All currencies)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY FEBRUARY 9 1990 US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY FEBRUARY 8 1990 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	142.47	-5.9	124.77	126.15	-1.0	6.35	144.27	126.79	127.43	160.41	128.28	151.86
Austria (19)	248.58	+36.4	217.69	216.51	+35.4	1.23	246.48	216.60	214.25	248.58	92.84	96.57
Belgium (61)	146.37	-5.4	128.18	126.52	-6.8	4.40	146.60	128.84	126.54	160.02	125.58	135.22
Canada (120)	141.99	-6.7	124.34	122.91	-3.7	3.29	141.64	124.48	122.77	154.17	124.67	133.89
Denmark (36)	256.27	+5.8	224.43	224.47	+3.6	1.43	256.51	225.43	224.50	260.82	165.35	157.93
Finland (26)	150.51	+12.9	131.80	124.77	+10.3	2.36	150.89	132.61	124.92	159.16	118.63	146.97
France (125)	150.92	-3.3	132.17	134.78	-4.8	2.79	151.51	133.15	134.99	157.97	112.57	119.60
West Germany (96)	132.79	+7.3	116.28	115.83	+6.3	1.83	133.99	117.76	116.51	137.01	79.56	86.26
Hong Kong (48)	119.31	+1.9	104.48	119.63	+1.9	4.79	119.62	105.12	119.95	140.33	86.41	132.66
Ireland (17)	195.94	+7.9	171.58	174.51	+6.0	2.39	196.58	172.76	174.92	198.57	125.00	137.95
Italy (96)	96.24	-2.2	84.28	89.57	-3.9	2.56	97.38	85.58	90.49	102.11	74.97	79.44
Japan (455)	183.23	-7.2	160.46	168.12	-6.3	0.48	183.91	161.62	168.97	200.11	164.22	196.06
Malaysia (36)	240.77	+5.1	210.85	250.79	+5.4	2.14	243.30	213.82	253.46	243.87	143.35	159.52
Mexico (13)	366.97	+12.8	321.37	1094.55	+14.3	0.47	367.13	322.65	1095.03	371.93	153.32	163.72
Netherland (43)	138.36	-3.8	121.16	119.25	-5.0	4.51	139.50	122.60	120.12	145.66	110.63	113.72
New Zealand (18)	68.64	-4.8	60.11	61.38	-4.7	5.73	68.78	60.45	61.63	88.18	62.64	76.02
Norway (24)	237.88	+19.0	208.32	208.50	+16.6	1.32	241.53	212.26	211.45	241.53	139.92	159.25
Singapore (26)	195.29	+10.2	171.02	167.71	+8.1	1.74	196.21	172.43	168.36	199.38	124.57	143.62
South Africa (60)	240.90	+22.6	210.96	174.06	+14.5	3.20	241.94	212.62	175.41	251.39	115.35	128.38
Spain (43)	156.69	-3.9	137.22	128.92	-4.6	4.07	158.19	139.03	130.15	169.75	143.14	146.85
Sweden (35)	196.73	+2.4	172.28	178.02	+1.1	1.97	198.04	174.04	179.20	206.95	138.45	151.85
Switzerland (62)	96.69	+2.8	84.67	89.70	-0.3	2.00	97.24	85.46	90.10	99.12	67.81	76.54
United Kingdom (306)	159.68	+0.6	139.83	139.83	-4.2	4.52	160.21	140.80	140.80	164.31	133.28	150.73
USA (542)	135.02	-5.6	118.24	135.02	-5.6	3.51	134.79	118.46	134.79	146.29	112.13	118.87
Europe (989)	143.74	+1.0	125.88	125.95	-1.9	3.40	144.54	127.03	126.73	146.66	112.63	120.00
Nordic (121)	198.51	+5.9	173.84	169.53	+4.1	1.70	199.53	175.35	170.32	201.89	137.95	147.11
Pacific Basin (667)	179.32	-6.9	157.04	164.62	-5.9	0.73	180.03	158.22	165.47	194.72	160.44	191.54
Euro-Pacific (1656)	165.31	-4.3	144.76	149.24	-4.5	1.67	166.06	145.94	150.06	174.18	141.56	162.91
North America (662)	135.34	-5.7	118.52	134.27	-5.5	3.50	135.10	118.73	134.04	146.66	112.79	119.67
Europe Ex. UK (683)	132.63	+1.2	116.15	117.28	-0.3	2.66	133.57	117.39	117.94	135.73	96.30	101.05
Pacific Ex. Japan (212)	132.33	-1.9	115.88	120.68	+0.7	4.75	133.43	117.26	121.54	140.05	111.93	137.34
World Ex. US (1849)	165.34	-4.0	144.79	148.90	-4.3	1.74	166.06	145.94	149.70	173.77	141.49	161.65
World Ex. UK (2085)	152.91	-5.0	133.90	144.84	-4.8	2.05	153.27	134.70	145.04	162.00	136.98	144.81
World Ex. So. Af. (2331)	152.96	-4.7	133.95	143.95	-4.9	2.27	153.33	134.76	144.38	161.84	136.67	145.25
World Ex. Japan (1936)	139.68	-2.6	122.33	131.87	-3.6	3.50	139.92	122.96	132.13	145.52	114.51	120.66
The World Index (2391)	153.49	-4.5	134.42	144.15	-4.7	2.28	153.87	135.23	144.61	162.05	136.68	145.15

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes: Deletion: Holiday Corp.(US)(8/2/90). Insertion: Promus (US)(8/2/90).

Prices for Finland & Sweden were not fully updated following problems at the exchanges.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

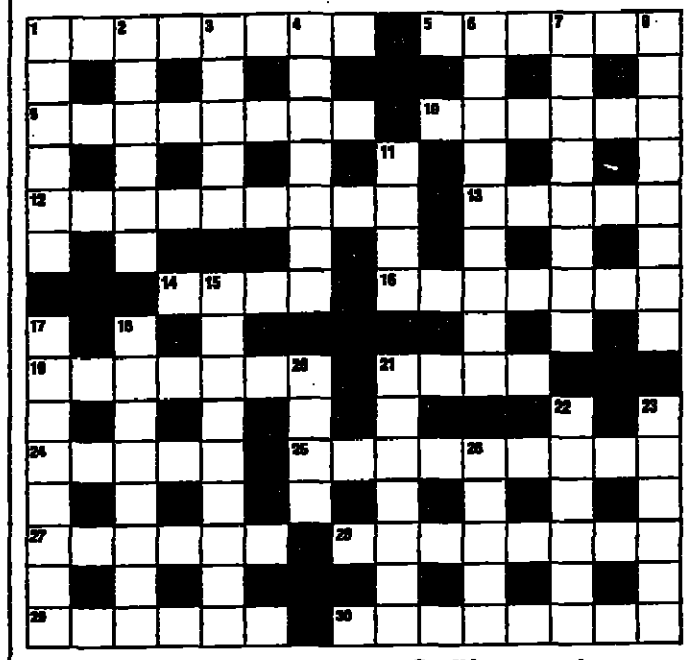
[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

CROSSWORD

No.7,162 Set by FRESCA



ACROSS

1, 5 In the pink and ready to take a bow? (2,3,2,1,6)
9 Sets free meal (no starter) before Scots Own on Sunday (8)
10 A strong and honest business (6)
12 Risks turning sand green (9)
13 Doctor Alan's kind of infection that affects breathing (5)
14, 21 Assume control (4,4)
16 Bar invective? (7)
19 Leave me nothing in dispute (4,3)
21, 14 Pass (8)
24 Small back street purchase quoted as excuse (5)
25 Difficult to shake off as an old physician (9)
27 Viewer's complaint? (6)
28 A broad difference between left and right in Canada (8)
29 Determined to be followed (6)
30 See 11

DOWN

1 A final word about copper's smartness (6)
2 Ballet's show of superficiality (6)
3 Coach or coaches (5)
4 Candid cameras in ceremonial parades (7)
6 Immature and enthusiastic follower in trendy headgear (9)
7 Image of deceased's grave (4,4)
8 Modulators used in sound receivers? (8)
11, 30 The kind of device that makes operator amiable? (4-8)
15 Early Australian start in Lincoln (9)
17 Made stable for a princess with horse outside (8)
18 One variety of pottery cover for protection when eating or drinking (8)
20 Trip taking place before winter sets in (4)
21 Frank gets dry outdoors (4,3)
22 "Men are but — loam or painted clay" (Shakespeare) (6)
23 Eastern VIP takes up art: let down (6)
26 Pack of weedkiller found outside garden centre (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 24.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,353.8	ANZ SA1	299	44c	7.7	8.1	Feb July	1698
2,418.4	Abbey National 10p	184	L7.7	5.6	-	Apr Oct	5411
1,401.4	Allied Irish Ord	259	‡Q68%	3.1	27.11	Dec July	1354
1,271.8	Algemene Fl.10	£12¼	Q28%	7.4	2.5	Aug May	1567
33.8	Anglo Irish	85	Q18.7%	5.2	27.11	Jan Aug	1355
140.0	Ansbacher (H.) 1p	75	2.0	3.6	13.3	April	1624
1,019.8	Bancaire Cie Fr100	£59⅞	Q24%	2.2	9.5	May Mar	2202
4,836.8	Banco Bilbao Viz	£39⅞	Q35.7%	3.4	9.12	Dec June	-
3,136.0	Banco de Santander	£27½	Q21%	3.0	31.10	Apr Oct	-
898.3	Bank Ireland Ir£1	264	‡Q23%	4.3	27.11	July Dec	1360
134.4	Bank Leumi	£19½	-	-	-	-	1740
23.6	Bank Leumi (U.K.)	345	†13.5	5.2	31.7	Apr Sep	1740
889.9	Bank Scotland	118	†3.8	4.3	2.10	Nov June	1742
97.5	Do. 9¼pc Irrd Pf	97½	9¼%	12.6	30.10	May Nov	1462
16.6	Bank of Wales	52	2.8	7.2	2.10	Nov Jun	1743
6,345.0	Barclays £1	565	†23.0	5.4	14.8	Oct Apr	1754
10.7	Benchmark 20p	20	1.63	10.8	18.9	May Oct	1802
50.6	Brown Shipley £1	317	†10.5	4.4	27.11	Jan Aug	1983
79.7	Cater Allen £1	420	23.5	7.5	27.11	Jan. July	2081
35.6	Chancery	175	†8.0	6.1	27.11	Jan July	2102
524.9	Commerzbk DM10	£23¼	Q18%	2.8	27.5	May	1046
343.6	C'hgn.Hbk.Kr100	£25¼	Q15%	5.6	22.3	March	2237
31,758.5	Dai Ichi KBk Y50	£12¼	†Q16%	0.3	4.7	June	3221
8,457.2	Deutsche Bk DM50	£294½	Q24%	1.5	11.5	May	2345
137.9	Espirito Santo	£19½	Q75c	2.3	-	June	5187
348.5	First Nat. Fin. 10p	221	13.0	7.8	15.1	Mar Aug	2571
54.7	FNFC 6.3pc Cv. Pf	113	6.3%	7.4	27.12	July	2570
37,129.9	Fuji Bank Y50	£14¼	Q15.6%	0.2	4.7	Dec June	1084
107.9	Gerrard & National	283	18.5	8.7	30.10	June Dec.	2686
99.8	Guinness Mahon 10p	154	¢2.1	1.8	27.12	Jun Feb	5074
522.1	Hambros 20p	322	†10.0	4.1	11.12	Jan Sep	2812
190.5	Do. 7.5pc Cv Pf	127	7½%	7.9	14.8	Apr Oct	4388
3,373.4	HK & Shang. HK$2.50	58	HQ36c	4.8	17.4	May Sep	-
25.1	Joseph (Leo) £1	478	15.85	4.4	11.12	Jan Sept	3060
22.9	King & Shaxson 20p	145	9.25	8.5	13.11	June Dec.	3088
558.0	Kleinwort Benson Grp	421	14.0	4.4	18.9	Jun Nov	3102
3,559.0	Lloyds £1	289	†11.2	5.2	31.7	Oct May	3171
31.3	Lon. Scot. Bank 10p	53	2.4	6.0	29.1	Mar July	4651
2,890.1	Midland £1	371	†16.4	5.9	14.8	May Oct	3380
32,077.7	Mitsubishi Bank Y50	£12¼	†Q16%	0.3	4.7	June Dec.	5290
14,307.9	Mitsubishi Tst & Bk Y50	£18⅞	Q16%	0.3	-	-	4775
9,748.9	Mitsui Tst & Bk Y50	814	Q16%	0.4	8.12	Sept Mar	5388
3,197.3	Nat. Aust. Bk. A$1	291	sQ32c	5.0	21.12	July Jan	3456
5,416.6	NatWest £1	343	†14.12	5.5	14.8	Oct May	3463
102.5	Ottoman Bank	£285	Q90%	4.4	18.5	May	-
18.8	Rea Bros. Group	48	0.5	1.4	4.9	May Oct	3785
541.9	Rothschild (J) Hldgs	392	†9.5	6.6	13.11	Jul Dec	3864
1,492.7	Royal Bk. Scotland	198½	7.2	4.8	11.12	Mar Aug	3874
6,456.2	Saitama Bank Y50	673	†Q13%	0.4	8.12	Sept Mar	5286
43,542.6	Sanwa Bank Y50	£10⅞	†Q16%	0.3	11.12	June Dec.	5108
416.0	Schroders £1	1725	19.5	1.5	2.10	Oct May	3939
84.5	Do. £1 N/V	1325	19.5	2.0	2.10	May Oct	3941
2,019.5	Sec. Pacific $10	£20⅞	Q51.96	5.6	27.7	Fb My Ag Nv	3985
1,401.1	Standard Chartd. £1	600	33.9	7.5	4.9	May Oct	4094
35,361.6	Sumitomo Bank Y50	£13¼	†Q16%	0.2	4.7	June	3079
12,817.6	Sumitomo Tst & Bk Y50	£10⅞	†Q16%	0.3	-	-	4918
2,117.8	TSB	141	5.8	5.6	14.8	Oct Mar	4320
25.3	TSB Ch'nel Is'l	172	Q6.7	3.9	11.12	Feb Aug	4319
18,594.3	Tokai Bank Y50	£9½	Q16%	0.3	-	Sept Mar	5359
6,336.3	Toyo Tst & Bk Y50	857	Q16%	0.4		Sept Mar	1393
114.4	Union Discount £1	610	33.0	7.5	17.7	Mar Sept	4353
947.2	Warburg (S.G.)	504	†12.5	3.3	27.11	July Dec	4425
72.8	Do 6pc Cnv Prf	171	6%	4.7	4.9	Mar Sept	4426
2,913.4	Westpac $A1	256	Q52.5c	9.3	28.12	Jan July	4473
34.9	Wintrust 20p	413	†7.8	2.5	14.8	Oct Mar	4524
9,263.7	Yasuda Tst & Bk Y50	888	†Q17%	0.4	-	Sept Mar	5347

Hire Purchase, Leasing, etc.

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
86.5	Anglo Grp. 10p	268	†5.0	2.6	13.11	Dec Aug	1613
52.5	Do. 9½pc 1999	£105	Q9½%	9.0	-	September	-
46.0	CLF Yeoman 50p	115	[illegible]	9.1	5.6	Jan July	1162
38.6	Cambridge Grp Ir5p	66	Q7½%	0.5	-	Nov June	5358
11.6	Capital Leasing Ir10p	41	Q13.2%	2.7	27.12	Jul Jan	1641
43.0	Cattle's (Hdgs) 10p	65	†3.25	6.7	4.9	May Oct	2082
193.0	Prov. Financial	383	†18.0	6.3	18.9	Nov Apr	3731
25.6	Reflex Invs Ir5p	220	Q26.4%	0.6	27.11	July Dec	4940
31.2	Secure Trust Grp. 1p	228	W7.09	4.3	2.10	May Nov	1472
274.7	Woodchester IR20p	200	Q11½%	1.1	4.9	Sep Mar	1487

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
309.6	DAF N.V. Fl1.5		£18¾	H02.5	6.5	–	–	4773
–	General Mtrs Units		125	H02¾%	6.0	3.1	Mr Jun Sp D	2678
1,563.8	Jaguar	α	849	†11.0	1.7	18.9	May Nov	3019
9.17	March Group 5p	γ	41			15.8	Sept Apr	3284
4,054.8	Volkswagen DM50		£202¼	Q28%	1.7	–	July	–
2,184.5	Volvo Kr25		£41⅞	Q56%	3.2	27.4	May	4410

Commercial Vehicles

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
22.9	ERF (Hldgs)	γ	236	15.0	8.5	27.12	Jan Aug	2597
64.7	Plaxton Grp	γ	171	H8.5	6.6	27.6	Dec Jun	3675

Components

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
8.76	Abbey Panels		438	3.5	1.1	15.1	Sept Feb	1501
19.2	Airflow Streamlines	γ	225	6.0	3.6	30.10	Jan July	1598
21.8	Bostrom 5p	γ	190	15.1	3.6	2.10	May Nov	1438
515.8	Dowty 50p	β	213	18.0	5.0	27.12	Mar Oct	2371
131.7	FR Group	β	178	†5.54	4.1	30.10	Dec. July	2627
170.5	Kwik-Fit Hldgs. 10p	β	106	2.4	3.0	2.10	Nov May	3113
1,014.9	Lucas Inds. £1	α	597	25.0	5.6	30.10	Jun Jan	3232
4.24	Spice 5p	γ	16	sq1.2	¢	4.7	August	4075

Garages and Distributors

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
10.2	Alexanders 10p	γ	26	1.0	5.1	15.1	March	1562
58.4	Appleyard 10p	β	129	16.6	7.2	4.9	Oct Apr	1629
3.27	Bletchley Motor 20p	γ	110	L7.5	9.1	18.9	October	1427
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

Market Cap. £m	Stock		Price	Div Net
11.9	Do. 7¼pc Pf	γ	93	7.2
61.4	Egerton Trust	γ	149	†6.
12.2	Emess Prop. Grp. 10p	γ	140	†2.
5.24	Eng & O'seas Prps 10p	γ	90	L2.
38.5	Erostin Group	γ	175	†6.
21.0	Ests. & Agency		350	†5.
35.4	Ests. & Gen. 20p	γ	168	†3.
20.0	Do. 6pc Cv. Pf.	γ	95	6.
69.9	Evans of Leeds	γ	213	†6.1
17.3	Ewart	γ	86	§1.8
29.7	Five Oaks Invs 5p	γ	63	1.
12.8	Fletcher King 10p	γ	155xd	10.
54.5	F & M. Props. 10p	β	124	†5.
178.7	Frogmore Est. 50p	β	448	11.
57.7	Grainger Trust	γ	298xd	5.2
580.6	Gt. Portland 50p	β	297	N9.
50.5	Do 9½pc Cv Ln 2002	γ	£127	Q9½
19.8	Green Property Ir25p	γ	125	‡18.2
363.7	Greycoat 10p	β	418	†4.
152.3	Hambro Countrywide 5p	β	49	†2.
1,008.2	Hammerson "A"	α	777	†17.
6.78	Hanover Druce 10p	γ	113	5.
48.4	Hardanger Prop 10p	γ	658	28.1
50.2	Helical Bar 5p	β	265	†5
14.4	Do. 5¼pc Cv Pf '12	γ	76	5¼
18.6	Herring Son & Daw 10p	γ	168	†4
1,487.4	HK Land Hldgs		59	†Q3
29.9	HKNOCO 10p	β	141½	Q0.2
94.6	Int Inc Ppty $0.01		784	Q51.0
5.00	Jermyn Invest		250	2.
2.21	Key City Prop		33	
397.7	Laing Properties	α	661	‡10.2
62.4	Do 8¾pc Ln 2000-05	γ	£383	Q8¾
2,469.6	Land Securities £1	α	498	†14.
429.8	Do. 10pc Ln Nt Dob 2025	γ	£85¼	Q10
179.6	Do. 10pc Ln Db 2030	γ	[illegible]	[illegible]

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
21.1	Abtrust New Dawn	γ	141	–	–	5.10	–	4601
2.88	Do. Warrts.	γ	96	–	–	–	–	4600
2.10	Do. B Warrants	γ	78	–	–	–	–	1291
2.43	Acorn Inv. Tst	γ	74	–	–	–	–	5285
582.1	Alliance Trust	β	1155	†31.0	3.6	4.9	Oct. Apr.	1570

[illegible]

TRUSTS, FINANCE, LAND—Contd

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
16.7	Scot Cities 'A'	γ	620	24.0	5.2	27.11	May Dec.	3947
365.4	Scot. East. Inv	β	173	N3.45	2.7	4.9	Oct May	3948
414.1	Scottish Inv	β	143	3.68	3.0	27.12	Feb July	3953
19.8	Do. Warrants	γ	39	–	–	–	–	5003
21.4	Scot & Merc 'A' 5p	γ	89	§4.1	¢	27.11	Jan Jul	3955
487.0	Scot. Mort. & Tst.	β	135	†2.8	2.6	30.10	July Dec.	5004
149.3	Scot National Tst Inc	β	93½	†7.4	10.7	27.11	Apr Oct	3961
37.7	Do Cap	β	59	–	–	–	–	3960
34.3	Do Stepped Prf	γ	107½	†5.25	6.5	14.8	Sept. Mar.	3962
72.3	Do Zero Div Prf	γ	113¼	–	–	–	–	3964
2.55	Do Warrants		20	–	–	–	–	3963
194.1	Sec. Alliance Tst	β	1011	28.0	3.7	18.9	Apr. Oct.	3974

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	NZ Oil & Gas NZ$0.50		26	–	–	–	–	–
3,658.6	Norsk Hydro Kr20		£17½	Q18¼%	1.9	29.4	June	3514
13.3	North Sea Assets 5p	γ	24½	–	–	11.8	–	3520
3,458.3	Occidental Pet. 20c		£16	Q$2.50	8.9	6.9	Ja Ap Jy Oc	–
–	Ohio Res		27	–	–	–	–	–
11.6	Oliver Res	γ	27	–	–	–	–	3469
–	Pan Pacific Pet		2½	–	–	–	–	4850
4,229.2	Petrofina SA		£295¼	BFr416	5.0	22.5	May	–
1.88	Petrogen Petroleum	γ	8¼	♦	–	–	–	3647
39.6	Pict. Pet. 5p	γ	128	–	–	–	–	3659
479.8	Premier Cons. 5p	β	112	–	–	1.7	–	3711
50.5	Presidio Oil A		443xd	Q10c	1.4	30.1	[illegible]	4998

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

MINES—Contd

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
11.6	Anglesey Mining 5p	γ	160	–	–	–	–	5136
1.80	Do. Warrants	γ	90	–	–	–	–	5072
–	Anglo-Dominion		14	–	–	–	–	–
199.3	Bond Intl. Gold		593	–	–	–	–	–
33.0	Butte Mining 10p	γ	30	–	–	–	–	2024
–	Colby Res Corp		27	–	–	–	–	–
6.55	Cons. Murch. 10c		105	Q30c	7.2	17.7	Aug. Feb.	2216
–	DRX Inc		11	–	–	–	–	5077
27.2	Emess Int. Ir10p	γ	20½	–	–	–	–	1416
35.3	Europa Minerals 2p	γ	97	N1.0	1.4	–	Jan.	3427
0.72	Do. Warrants	γ	19	–	–	–	–	1530
16.8	Geevor		78	–	–	6.85	–	2670
13.4	Greenwich Res	β	37	–	–	–	–	2773

[illegible]

THIRD MARKET

Market Cap. £m	Stock		Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10.6	Season Hldgs	γ	153	†2.5	2.2	18.9	Oct May	3968
4.46	Semperanova	γ	32	–	–	–	–	1645
5.40	Sleepy Kids 5p	γ	27	–	–	–	–	5068
2.53	Staks Hldgs. 5p		5½#	–	–	–	–	4625
2.14	Swanyard Studios 1p	γ	1½	–	–	–	–	4666
8.44	Tavern Leis. 20p	α	33	♦	–	–	–	4867
9.41	Tomorrows Leisure 20p	γ	84	–	–	–	–	4248
2.14	UPL Group 10p	γ	53	‡2.75	‡	22.5	Dec. July	4362
7.38	Unit Group	γ	139	5.0	4.8	11.12	Jan Aug	4357
7.39	Video Magic Leis. 1p	γ	84	W2.0	3.2	26.1	Jan July	5071
3.84	Vista Ents 5p	γ	4	–	–	–	–	3994
9.63	Vizcaya Hldgs 5p	γ	18	–	–	–	–	4193
60.8	Whitegate Leisure 20p	γ	39	0.25	0.9	–	April	3165
1.67	Do. Wrrnts	γ	25	–	–	–	–	1116
20.1	Wilton Group 1p	γ	4½	–	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+/-
Albany Inv 20p	γ	83	–2
Craig & Rose £1	γ	830	......
Finlay Pkg. 5p	γ	58	......
Holt (Jos) 25p	γ	1348	+8

IRISH

Stock	Price	+/-
Cap. 8½% Ln. 1991	£96¾	......
9pc Cap Ln. 1996	£93½	–½
Fin. 13% 97/02	£111½	......

Stock		Price	+/-
Arnotts		405	......
Carrol (P.J.)	γ	166	–9
Hall (R. & H.)		185	–5
Heiton Hldgs	γ	150	......
IPG		218	......
United Drug		166xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	48
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	45
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	68
Grand Met	44
Guardian	19
GKN	35
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intal	34
STC	25
Sears	9
SmKl. Beecham A	43
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices February 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	24¾	AAR	.48	1.5	19	198	31⅛	30⅞	31⅛	+ ⅛
9¾	8½	ACM n	1.01	11.		922	9⅜	9⅛	9¼	
11⅝	10½	ACMIn	1.26	11.		247	11⅛	11	11⅛	
9⅞	8	ACM M	n1.01	12.		190	8¾	8⅛	8¾	
12⅛	12	ACMMM				x3312	11⅞	d11⅞	11⅞	− ⅛
11½	10	ACM Sc	1.26	11.		663	11⅛	11	11⅛	
9⅜	8⅛	ACMSp	1.01	11.		380	9⅛	9⅛	9⅛	+ ⅛
19⅜	11½	AL Lab	.16	.9	19	74	18⅜	18	18⅛	+ ⅛
6⅛	3⅜	AM Intl			6	2159	3⅞	3⅝	3⅝	− ¼
23½	16⅝	AM In pf	2	11.		31	17¾	17½	17½	
107¼	52½	AMR			8	2980	55¾	54¼	55	− ⅝
24⅞	23⅛	ANR pf	2.12	8.7		x17	24⅜	24⅜	24⅜	+ ⅛
5½	3⅛	ARX				246	3½	3⅜	3⅜	
72¾	39	ASA	3a	4.3		1575	70⅞	69	69⅝	− ⅛
70⅞	48⅛	AbtLab	1.40	2.2	17	2362	64⅝	64	64⅛	− ⅜
18¼	11¼	Abitibi g	.50			18	12⅞	12¾	12¾	− ⅛
13	9¼	AcmeC	.40	4.2	11	89	9⅞	9⅜	9½	− ¼
9¼	6	AcmeE	.32	3.6	12	10	9	8⅞	9	+ ⅛
38½	25½	Acusn			22	1155	33	31⅝	33	+ 2
16½	12⅞	AdaEx	2.08e	13.		79	15⅝	15½	15½	
15⅞	7	Adobe				64	13½	13⅜	13⅜	
20¼	16⅞	Adob pf	1.84	9.7		1	18⅞	18⅞	18⅞	
21⅝	19⅞	Adob pf	2.40	11.		13	21¼	21¼	21¼	+ ⅛
10½	6⅞	AMD			6	676	7⅜	7¼	7¼	− ⅛
35	28⅝	AMD pf	3	10.		82	29¾	29½	29¾	+ ⅜
10⅞	9⅛	Advest	.18	2.6	8	167	6⅜	6¼	6¼	
62½	48½	AetnLf	2.76	5.6	8	1063	50⅜	49½	49½	− ⅜
14	9⅞	AflPb	.24	2.2		898	11¼	11	11	− ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17	14½	REIT	1.36	9.5	10	225	14⅞	14½	14½	- ⅛
12⅞	6½	RecnEq				726	6⅝	6¼	6¼	- ⅛
20	11¼	Reebok	.30	1.8	11	3049	16½	15⅞	16¼	+ ½
½	7-64	Regal				397	⅜	11-32	⅜	
9¾	6½	ReglFn	.29e	3.5		57	8¼	8¼	8¼	
15⅝	12½	ReichTr	1.78e	12.	8	15	14½	14	14½	+ ½
8⅝	4⅞	RelGrp	.32	6.7		164	4⅞	4¾	4⅞	
24⅞	16⅞	Repsol	n.27e	1.2		1047	23½	23¼	23⅜	+ ⅛
6⅛	4⅜	RepGyp	.20	4.0	36	34	5	4⅞	5	
52⅞	42⅝	RepNY	1.32	2.9	1150	36	46	45¾	46	+ ⅛
14⅞	1¾	Rexene			1	309	2¾	2½	2⅝	+ ⅛
33⅞	19½	RayRey	.80	3.9	8	142	20¾	20¼	20½	+ ⅜
62⅞	48½	ReyMtl	1.80	3.4	8	1840	53½	52½	53⅜	+ ⅞
3½	1⅞	RhnF wi				5	2½	2½	2½	- ⅛
22	16⅝	RhoPl n				56	16⅞	16⅝	16⅝	- ⅛
41⅞	29½	RiteAid	.90	2.7	13	712	33¼	32⅞	33⅛	- ⅛
19⅞	15¼	RbtHlf			15	121	17⅝	17⅝	17⅝	
12⅞	9½	Robtsn				99	11⅛	10⅞	10⅞	- ¼
22¼	17	RochG	1.56	7.6	10	166	20⅞	20⅝	20⅞	+ ¼
45⅜	27⅞	RochTl	s1.46	4.2	16	104	35⅛	34½	34⅞	- ⅛
22⅛	16½	RckCtr	1.88	9.5	18	674	20	19½	19⅝	- ⅛
27½	19⅜	Rockwl	.76	3.7	7	1356	21⅛	20⅞	21⅛	+ ¼
7⅜	4⅞	RodRen				5	5⅜	5⅜	5⅜	- ⅛
37½	29⅝	RoHaas	1.20	4.0	11	203	29⅞	29⅝	29⅞	+ ¼
37⅞	18½	Rohr			24	1536	19¼	19	19	
14⅛	9⅜	RollnE	.08	.6		1066	13⅛	12⅞	13	
21	16⅞	Rollins	.56	3.2	18	415	17⅞	17½	17⅝	+ ⅛
10¼	7⅞	RolTrk	.20b	2.6	9	136	7⅞	7⅞	7⅞	
64⅝	38⅝	Rorer	.84	1.4	23	1813	61⅛	60⅞	61⅛	+ ⅞
12⅞	8	Rowan				2336	12⅛	11⅝	12	+ ⅜
26⅞	23¼	RBSct	pr.71a	2.9		143	24½	24½	24½	
[illegible]										

— X—Y—Z —

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	20⅛	Wynns	.80	2.9	10	1	20½	20½	20½	
12⅞	5	Wyse				133	10	9⅞	9⅞	
59	52½	Xerox	3	5.5	8	1642	55¾	54½	54½	- ⅛
43⅝	22½	XTRA	.72	2.9	30	68	25	24⅝	25	+ ½
4⅞	2⅝	Zapata				812	3	2⅞	3	- ⅛
12⅞	7⅞	Zemex	.20	2.5		15	7⅞	7⅞	7⅞	
21½	8⅞	ZenithE				1825	9⅝	9	9⅛	- ½
21½	15⅞	ZenNtl	.84	5.0	8	35	17⅛	16⅞	16⅞	
10	5¾	Zenix	1.08	16.		264	6⅞	6½	6⅞	+ ⅛
16½	14⅛	Zero s	.40	2.8	14	248	14⅝	14½	14½	- ⅛
44⅛	25⅞	Zurmin	.76	2.0	17	201	38¼	37⅛	37⅞	+ ⅜
12⅞	10	Zweig	1.21e	10.		212	11⅝	11½	11⅝	+ ⅛
10	8⅛	ZweigTl	.95	10.		1469	9¼	9⅛	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices February 9

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4pm prices February 9

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page

The Business Column

The staying power of visionary leaders

If a poll were taken for the best European business leader of the 1980s, the vote would probably go to Mr Jan Carlzon, the head of Scandinavian Airlines. His remarkable turnaround of SAS, from an unpopular laggard to a model performer, set an example which countless other companies, in all sorts of industries, have since tried to emulate: one of the most successful is his arch-competitor British Airways.

In the political world, there is no doubt at all that most plaudits would go to Mrs Margaret Thatcher. She may not have turned her country into a model performer compared with its rivals – though she likes to think she has – but she has certainly made it more competitive than a decade ago.

Despite their very different styles – Mr Carlzon listening, consulting and always celebrating the successes of his staff, Mrs Thatcher cajoling, directing and keeping her ministers in their place – they epitomise the power of visionary leadership to revitalise an apparently moribund system.

Tougher task

But their staying power is questionable: Mrs Thatcher's because of her inability to adapt her style to changing circumstances, Mr Carlzon's because he faces a tougher task than a decade ago – not just externally, as SAS struggles against bigger rivals, but also within, as he tries to motivate a now confident, stable organisation to submit itself to a new revolution.

Mr Carlzon's chances are helped by a vision broad enough to encompass new challenges: he is currently trying to transform SAS from a regional airline into an international travel service company. That involves a network of global alliances, and the replacement of an organisation which is decentralised into small units with one in which operations are more integrated.

Mrs Thatcher, on the other hand, is still fighting the same battles as a decade ago, even if they have already been won. Like Carlzon, she should be seizing on major changes in the external environment – such as eastern Europe – to develop new vision and a fresh set of challenges.

To some extent, the survivability of either of them is merely the familiar question of time: few leaders, whether in business or politics, last much beyond a decade. Those who have a one-track style usually quit very much sooner (or ought to): Sir Michael Edwardes was frank enough to admit when he left the British car maker, BL (now Rover) in 1984 that if he had stayed for more than four years his value would have been only a third what it had been during the early period of his tenure.

More cerebral

More adaptable leaders – usually the more cerebral sort – can last much longer, and still add considerable value. Sir Christopher Hogg has now headed Courtaulds, the British fibres and chemicals group, for a decade, taking it through at least three different phases: a battle for survival in the early 1980s, revitalisation in international markets for the rest of the decade, and revolution at the end of it, with a decision to unbundle the company by splitting off the company's original textile core from its more dynamic businesses.

Sir Christopher Hogg's track record challenges an otherwise powerful model of leadership and revitalisation which was presented to the recent annual conference of the Strategic Management Society by two Canadian academics, Frances Westley and Henry Mintzberg. Stripping out the anthropological jargon, it suggests that most leaders find it hard to adjust more than once to the "cycle of revitalisation": once a revolution achieves its objective, a state of order develops in which all sorts of routines are required.

If the leader can adjust to this change, he or she loses the ability later to launch a new revolution, retreating instead into lofty distance at the top of the newly stable system – as some SAS insiders actually claim Mr Carlzon has done, despite his efforts to the contrary. By contrast, the one-track revolutionary who cannot adjust becomes a restless irritant, or worse.

Either way, the leader's days are numbered.

Christopher Lorenz

MONDAY INTERVIEW

Healing a banking divide

Emilio Ybarra, new chairman of Banco Bilbao Vizcaya, speaks to **Peter Bruce**

In newspaper pictures Mr Emilio de Ybarra y Churruca looks like a stereotyped German tank commander beloved of post-war movie directors: blond hair combed straight back, close set, piercing eyes, and harsh lips.

In the flesh the new chairman of Spain's biggest bank, Banco Bilbao Vizcaya is far less threatening. He is not a giant, the hair is thinning, he smiles easily and suffers fools calmly.

Intense, yes, but then Mr Ybarra did not have a pleasant Christmas.

By December 12 last year Mr Ybarra, 53, was the sole vice-president of BBV after playing a key role in merging his old bank, Banco de Bilbao with Banco de Vizcaya in 1988.

It was a curious merger, as the two presidents of the banks had agreed to a co-presidency of BBV until 1992, when the older man, Mr Jose Angel Sanchez Asiain of Bilbao, would retire and leave the Vizcaya president, Mr Pedro Toledo, in sole command.

The project, enthusiastically promoted by the Socialist Government, was intended to give Spain a bank capable of competing with other European giants after 1992.

By late last year the job of marrying two managements – conservative Bilbao and flamboyant Vizcaya – had only just begun. Thousands of branches, many next door to each other, were having to co-ordinate their work.

Then, on December 12 Mr Toledo died unexpectedly of liver failure.

His death set off a battle between the old Vizcaya and old Bilbao board members, all of whom had joined the BBV board. The Vizcaya people wanted to name a new co-president on the same terms as Mr Toledo. Mr Sanchez Asiain and the Bilbao team refused, saying the co-presidency was inefficient and it was time for the bank to be run as a single entity with one president.

The row lasted more than a month. Here was the board of the country's most prestigious financial institution engaged in what at times appeared to be a hugely childish power play and, worse, incapable of solving it. Only intervention at BBV's request by Mr Mariano Rubio, the Governor of the Bank of Spain, saved the day. Mr Rubio named Mr Sanchez Asiain his preferred president or, if he insisted on resigning (he did), Mr Ybarra.

This leaves Mr Ybarra with the uncomfortable job of explaining what happened:

"Firstly, we have a merger that makes a lot of sense and I continue to have absolute faith in the advantages of the union. But we had a solution, the co-presidency, that was not perfect. I knew this would be difficult and it was. And then something absolutely abnormal happens, the completely unexpected death of one co-president. That wasn't foreseen in the merger agreements. We planned for a lot of things but naturally no-one thought about the death of a co-president – at least not the younger one."

"Given such an unexpected event I suppose it was natural that each part wanted to defend themselves. Whatever the case, the fundamental problem was going to the press with the problem," he says. "It would be a little ridiculous to say there was no real problem. But in any business you have to discuss things and it gets difficult when you remove the problem from the secrecy of the boardroom.

Going to the press [as both sides did] complicates things and possibly we Basques [both Bilbao and Vizcaya are Basque-based banks] are a little too stubborn and when we think we have to defend positions we probably go to extremes."

PERSONAL FILE

- 1936 Born San Sebastian
- 1964 Joins Banco Bilbao
- 1971 Elected to Bilbao board
- 1976 Chief executive, Banco de Bilbao
- 1986 Vice-president, chief executive, Banco de Bilbao
- 1988 Sole vice-president, Banco Bilbao Vizcaya
- 1990 President, BBV

Mr Ybarra, married with four children, was born in San Sebastian in the Basque Country and educated at Spain's loftiest ivory tower, the Jesuit Deusto University on the banks of the Rio Nervion in Bilbao. There, he remembers, they did not necessarily teach things, "they made people, they taught us responsibility."

Basques tend to be serious, conservative people little given to flightiness. Mr Ybarra, apart from a short first job in a mining company, joined the Banco de Bilbao in 1964 and never left.

The Ybarra family is one of the most powerful in the Basque Country and has spread its wings throughout Spain. One cousin is chairman of a major electrical utility, Sevillana. Mr Ybarra has relatives on both sides of the BBV board and he is said to be the BBV's biggest individual shareholder, though he side-steps questions about his stake, which is thought to be about 1 per cent.

He likes banking. "It's a very complete thing to do," he says. "It gives you a very complete overview of an economy. Through a bank you don't only get to learn about finance, you're able to know something about everything. The problem is you can know about a everything but there is never enough time to do everything."

But it obviously pains him to have been named president by the Governor of the Bank of Spain. "It goes against my deepest beliefs," he says. Mr Rubio, he points out, intervened personally, as someone with a deep knowlege of the issues involved and not as Governor. "It would have been difficult to find a better mediator, although obviously it raises the disagreeable impression that the central bank had intervened."

Mr Ybarra insists the problem has been solved. "I accept that the problem was important. But now – maybe I'm being a little optimistic – I believe I have the support of all the board."

Some people, notably the banking unions, might disagree, but the new president is convinced that the boardroom impasse in December and January had little effect on morale and efficiency in the bank itself. "Look," he says leaning forward, "the problem was in the board. The merger itself is very advanced – well ahead of our forecasts. Last week I visited all of our regional headquarters and I was able to prove – I already knew it anyway – that integration of our networks is very advanced. The problem was at the top."

If that is true – and the difficulties involved in doing retail business in some branches of BBV sometimes suggest it is not – Mr Ybarra's urgent tasks now involve imposing cohesive strategies to cover the bank's main activities. He says the bank has to choose, in various areas, either the Bilbao or Vizcaya way of doing things or find a third solution.

"I don't believe we are going to change the BBV but one of the good things about a change of personalities is a change of style. We have to be much more international. We want to be in main international financial centres but to be able to use our position as Spain's biggest bank. What we can offer abroad is precisely our weight in Spain.

"Until now we have tried to be in major centres with our own branches but we know that in international finance you have to have friends and collaborators so, on one hand, we will try to take stakes in interesting banking ventures where we can take a role in management while looking for collaboration agreements as well."

But it is at home that the BBV faces its biggest challenges. Last year's pre-tax profit increase of 15.5 per cent to Pta 141bn (£770m) was low among Spain's big banks. And Banco Santander, which has just become the second largest in asset terms after overtaking Banco Central and Banesto, has terrified its local rivals by becoming the first Spanish bank to offer interest on current accounts. None of the big banks has yet followed suit, but Santander's current account deposits, backed by a big publicity campaign, nearly doubled to Pta 587bn between August and November last year. By contrast BBV's rose just Pta 20bn to Pta 753bn.

"Of course I worry about that," Mr Ybarra says, but insists the BBV does have competing products. "We just don't make such a big noise about them." In fact, many banking analysts believe that a *guerra de pasivos*, a liabilities war, is only just beginning in Spain.

The truth is the competing products, not only in BBV, are just not that easy to come by, but Mr Ybarra is obviously still playing his cards close to his chest.

Much the same goes for the battle, ahead of 1992, between foreign banks in Spain and the local banks for lucrative fee-based business in investment or corporate banking. While it would be difficult for the foreigners ever to reach the critical mass necessary to compete nationwide for retail business with the locals, they have until recently been taking the lion's share of mergers and acquisitions.

Banking in Spain is not easy. Franco's closed economy forced profitable banks to expand only at home and there are now more bank branches per capita in Spain than anywhere else in Europe.

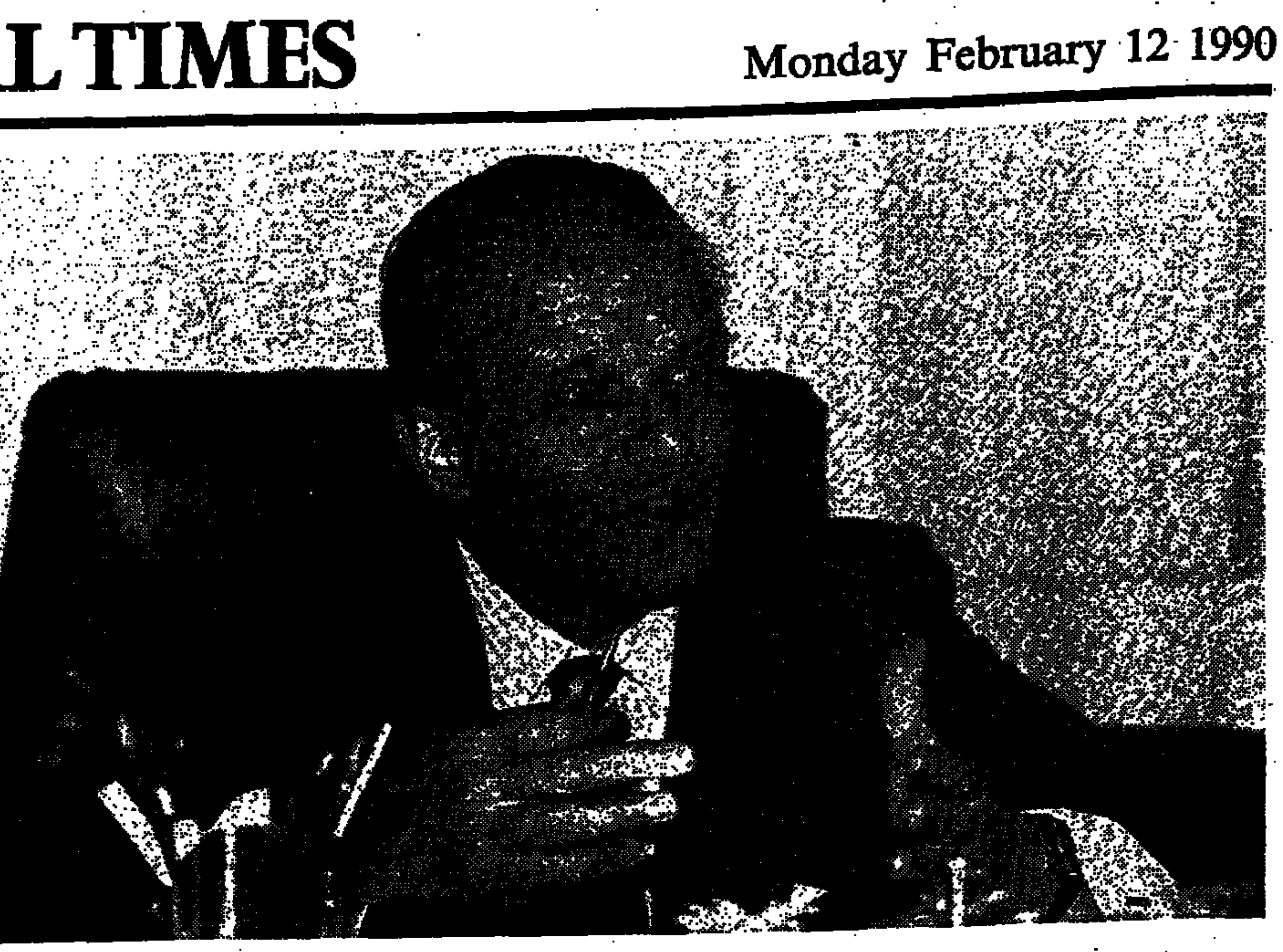
An interest rate cartel which used to keep the major banks from attacking each other is beginning to break down, as evidenced by Banco Santander's new current account. Big savings banks, once confined to their home provinces, are being allowed to open branches nationwide to threaten commercial bank retail business.

The entry of foreign banks has forced up wages and led, for the first time, to open poaching of senior staff.

But it would probably be very hard to rattle Mr Ybarra. Jesuit discipline has done its job well. He is unimpressed by the fast money now being made in Spain in property speculation and asset-stripping.

"Perhaps the boom in this country has been too speculative," he muses. "The big profits have not been made through professional, serious, work but through opportunism. In the next 10 years I would hope to see a much more professional economy. Speculation does not create wealth."

Mr Ybarra says he has a lot of hobbies – skiing, hunting and tennis – but does all of them badly. Perhaps he is being modest. Running, and simultaneously renovating, a jerrybuilt house like BBV is going to take a real expert.



'Through a bank you're able to know something about everything'

Finding punishment to fit the times

JUSTINIAN

Sentencing policy and practice are at the core of the Government's proposals for forthcoming legislation in criminal justice. The new framework for dealing with convicted offenders set out in a White Paper last week takes a bifurcated road. The high road proposes lengthy prison sentences for the minority of offenders who are dangerous; the low road provides punishment in the community for the great majority of less serious and non-violent offenders.

The aim is to reduce substantially the number of offenders that is being sent to our persistently overcrowded prisons, and for too long. Whether this reflects a sound penal policy or not, its success will depend heavily upon appropriate responses from all sentencers, from High Court judges to lay magistrates, but more particularly from the Circuit Judges and Recorders who deal with the more serious criminal cases in the Crown Courts.

The big attraction of this policy to the judges is that it would restore legalism to the sentencing system. The idea of dealing compassionately with offenders in the pious hope hope of correcting them has been abandoned. Rehabilitation of offenders has been effectively challenged by penal reformers for some years as being ineffective and unjust. But sentencers were still encouraged to adapt sentences to individual circumstances in the belief that the prison system could operate programmes of reform. That often meant that prison sentences were made long enough to allow for sustained treatment.

The practice of releasing prisoners on parole to take the pressure off the relentlessly increasing prison population over the last 30 years, is now discredited – at least in the eyes of the judiciary. Valuable as the parole system has been in mitigating the worst consequences of prison over-crowding, it is now thought to impinge too much on judicial independence as well as producing some absurd anomalies in its impact on comparable offenders. A more restrictive parole system will restore to the judges a sense that their publicly declared sentences will represent time actually spent in custody.

Once the idea that prisoners can be rehabilitated is seen to be a chimera, and it is accepted that this may reinforce criminal tendencies, the way is open for the new bifurcated approach. The proposal is to return to an older emphasis on punishment based strictly on legal criteria. This is known to criminologists as the justice model. The White Paper's authors quirkishly adopt the alternative phrase of "just desserts" (sic). Since when can a desert be unjust?

But how just is the justice model? Does a conviction for crime imply blame, such as to justify punishment; or should punishment rather depend on a distinction between retributive and distributive justice? The justice model depends on a familiar but untenable idea that the punishment of criminals can be separated from the wider questions of the distribution of welfare of society. Perhaps the strongest challenge to the moral pretensions of the justice model is its purely negative aspect: the claim that by adding one bad – the infliction of pain – to another – the commission of crime – somehow a good will be produced.

One does not have to be a determinist to favour the alternative concept of social justice, with treatment (not punishment) in the community as the core of the penal system, with imprisonment only a last resort. Karl Marx, so often depicted as an arch-determinist, put the point well: "Men make history, but not in circumstances of their own choosing." Because the amount of blame properly attributable to the criminal is unknowable, the attempt to graduate the severity of punishment to desert, in the name of justice, becomes unreal. But it can confidently be expected that the judiciary, reared and nurtured in the bosom of legalism, is more likely to respond to the justice model.

The Government's rejection of a Sentencing Council to help create a rational sentencing policy and practice will come as a relief to the judges who are instinctively hostile to any extra-judicial involvement in the sentencing process. The White Paper proposals offer little beyond encouragement of ideas that would inevitably lead to a lowering of the tariff of prison sentences and a shift of emphasis towards non-custodial penalties.

The Government proposes to reduce the maximum penalty for theft from ten to seven years and for non-domestic burglary from 14 to ten years. That is hardly significant and only tinkers with the general problem of statutory maximum penalties. Why does the Government not adopt the more radical approach, advocated as long ago as 1978 by the Home Secretary's Advisory Council on the Penal System, of a drastic reduction of maximum penalties across the board, and provide a highly restrictive escape route for the minority of cases which pose a serious risk of future harm? Judges do at least respect the dictates of a sovereign Parliament.

If the Government was serious about reducing the incidence of imprisonment it would at least accept the report of the House of Lords Select Committee on Murder and Life Imprisonment which recommended the replacement of the mandatory life sentence for murder by a maximum of life imprisonment. The Lord Chief Justice himself supports such a reform. The present fixed penalty is heartily disliked by the judges, if only because the amount of lengthy incarceration is calculated without reference to the course of the trial – a serious inroad upon the justice model of sentencing.

SECTION III

FINANCIAL TIMES SURVEY

The community challenge is no longer regarded as a marginal activity. Corporations are increasingly aware that there is a job to be done beyond the boundaries of their plants. Hazel Duffy reports on how business is participating in the community

A new social contract

BUSINESS is more and more expected to play an active part in the community. It is not enough for companies to look after their employees, and make sure that their shareholders are satisfied. Increasingly, they must be responsive to the consumer and the community. And they must be actively concerned about the environment.

Some of these newly-acquired responsibilities can be a burden. Trying to improve the lot of the local poor was one thing in the days of the philanthropic chairman, quite another as violence, drugs and disaffection grows in most American inner cities.

In areas where the state has withdrawn, corporate funds are often the only new source for charitable groups to tap. Corporate investment and donations are now a vital element in structuring the finance for low-income housing in the US, for instance, since the federal government has failed completely to come up with a policy to solve what is now a national crisis.

American companies, and individuals, tend to be community-minded. It is a tradition, reinforced by quite generous tax concessions. The fact that corporate headquarters are scattered in cities across the country instead of concentrated, as in Britain, is also important. And companies are helped in their community work by the string of wealthy foundations, some of them localised.

But in Britain, business — even if it should want to — cannot turn its back much longer on the community. Most big companies have a community programme. A sometimes passive interest is becoming more active, however. Employers' growing concern about poor literacy and numeracy standards in schools is common to both countries.

The community role does not stop with those countries which went down the market economy route in the 1980s. The new wave of overseas investment — spurred by Japan, the European Single Market, and the buying spree in the US by British companies — has started to make companies realise that the community effort also has an international content.

Japanese companies, which traditionally saw their responsibilities only to their employees and shareholders, are anxious to learn how to become good corporate citizens, at home, but more particularly in the countries where they are now operating.

In Germany, Scandinavia, and most west European countries, the tradition is that the state provides. Companies, of course, must pay according to the number of employees. Working conditions of their employees is the main concern. But here too there is a growing awareness that there is a job to be done beyond the boundary of the plant.

Business's role in the community can be at several levels. Economic re-generation became important in the aftermath of de-industrialisation in the US and Europe. Increasingly in Britain, it has a business involvement. In some cases, it is business-led.

Mrs Thatcher has made it clear that she expects business leaders to help in re-vitalising the fabric and the economy of run-down areas, whether it is the poor parts of London, or industrial towns in the north.

There is much talk of business leadership in this context in the US and Britain. Mrs Thatcher talked once about "city fathers". Finding leader material has taken more time in Britain. Head offices are mostly located in London. Regional banks — important in the American local economic context — are absent from the British scene.

However, the clearing banks, financial institutions, and, increasingly, big firms of accountants, have taken up the community challenge with enthusiasm in Britain.

People from the sector are frequently on the teams of business leaders, modelled in part on the powerful teams in the US, which are now spreading like wildfire in Britain.

BUSINESS
The Community Challenge

CONTENTS

Editorial production
Khozem Merchant
Illustration: David Worth

The Allegheny conference on community development, based in Pittsburgh, is the grandfather of public/private sector partnerships. City re-development authorities like those in Pittsburgh and Boston have been equally powerful forces in planning and economic development in their cities.

British teams cannot have the power base that their US colleagues enjoy, however. The power to raise taxes, and therefore the power to use tax breaks as an incentive, is centralised. The determination to fix things in favour of their city is also absent.

Mrs Thatcher is also putting business in charge of the Government's training effort, through the Training and Enterprise Councils. The clear message is that it is up to the corporate sector to make a go of training. The councils will also take on the job of stimulating enterprise — advising on the setting up of small companies and the expansion of such companies at a later date — in their vicinity.

Increasingly, the business role needs to be co-ordinated both at the community level, and at the international level. The theme of the global company in the community and the environment will run through the Prince of Wales International Business Forum, to be held in Charleston, south Carolina, later this month.

The forum has been put together by Business in the Community on the personal initiative of Prince Charles, who is president of BiC. Meetings with business people impressed on him the pool of knowledge being built up about the community. He wants to channel this towards business not simply responding to problems, but helping plan better communities in the developed and the third world.

Business people might have a longer term perspective than politicians, and this is more suited to the time scale of community regeneration.

Underpinning the forum is the growing maturity of the corporate role in the community. Chief executives from the US, Europe, and the Pacific rim, attending the forum, have mostly gone beyond looking on their community affairs departments as something to do with charity. They personally lead the community effort.

Enlightened business heads have known for some time that the community role can be an investment. The variety of links between companies, schools and higher education clearly has a bottom line as far as the company is concerned, as well as keeping children off the streets.

Companies should also be forthright. They want to make a mark on their community. It is good public relations. It can make good managerial sense. Giving employees time off to work in the community can give employees an enhanced sense of being useful, and increase commitment to the company which has allowed them to take time out.

At quite another level, US companies bought by the British know the value of maintaining the community commitment. Notable in this area was BP, which even intensified the Cleveland, Ohio, community effort started by Standard Oil; Grand Metropolitan, which last year took over Pillsbury, has made a similar effort.

The Hoylake bid for BAT Industries sent shivers down some spines in Louisville, Kentucky, and other places where BAT had made a point of continuing the corporate community investment in the companies it has bought. People could not imagine that the highly leveraged bid, if successful, would introduce community conscious owners.

Uncertainty will always stalk business. Some of the most prominent corporate citizens will find themselves the victims of hostile takeover bids. A sudden downturn in profits must test the community commitment. Redundancies and closures do not sit happily alongside publicised community projects. But all the signs are that community involvement is spreading to more companies and countries. For many executives, it is a far from marginal activity.

Business: a part of the Community 2

Boston's public sector led growth has not been without faults. **Hazel Duffy** examines the city's many pioneering experiments

Gaps still to be plugged as Massachusetts miracle fades

NEW buildings and the restoration of historic buildings can be the starting point at which a new phase in the history of a city gets under way. In the process, a new form of partnership between public and private sectors is created.

Boston, one of the oldest cities in the US, has just enjoyed a decade of economic growth which has been the envy of other cities in the US and world-wide.

The ingredients which produced such a successful mix were to be found beyond Boston, in the state of Massachusetts, and in particular in the spectacular growth in the high-tech sector, as well as in the academic institutions, the waterfront location, the old buildings, the financial institutions and other factors which went to make up what has been dubbed "an urban legend".

The mystery remains as to exactly why Massachusetts and Boston (which is between one quarter and one third of the state economy) took off when it did. Mr James Howell, former chief economist at the Bank of Boston, which took a lead in the early 1970s by alerting Massachusetts business to the problems in the state, does not think that what has been dubbed "the Massachusetts miracle" is replicable anywhere.

"But getting companies to set up branches, starting new companies, expanding existing companies are certainly all necessary in having a balanced strategy."

The Boston Redevelopment Authority, its functions considerably boosted by the current mayor, Mr Raymond Flynn, since 1984, has helped in one of the most notable models of public/private sector co-operation.

The BRA does not buy and sell property as such, but it has considerable influence in shaping the future of the city in physical terms. By encouraging expansion in growth sectors — health care and research is the current target — and making sure that the buildings are available in the right places, it acts like a planning agency in the economic sphere as well.

Property is the physical proof of Boston's decade of expansion. High house prices, wages, and labour shortages have been other consequences.

The birth of the new era dated back to the mid-1970s. It was public sector led. It was a time of recession, high unemployment and pessimism in the city.

The renovation of the historic Faneuil Hall and adjoining buildings in Quincy market gave birth to a new concept of leisure in cities. Speciality

Property is the physical proof of Boston's decade of expansion

shopping and food halls became the centrepiece of downtown revival, as well as hugely enhancing the reputation of Mr James Rouse, a developer who went on to construct Baltimore's Harbourplace and New York's South Street Seaport, and many others.

One of the most recent is Underground Atlanta, which has involved the restoration of a run down area in the centre, complete with old shop fronts, as a deliberate statement to strengthen the revival of the downtown area.

Boston's waterfront aquarium — to be moved to bigger premises as part of ambitious plans post 1994 — is another model for city leaders who want to create a tourist industry.

Tax breaks by the city government were a big incentive in getting the private investment to follow. Between 1975 and 1988, 35.8m sq ft of new and renovated office space was completed, 3.9m sq ft of retail space, and more than 7,000 hotel rooms. Nearly 8m sq ft of space for medical and higher education purposes came on stream.

Mr Stephen Coyle, BRA director, works from offices in City Hall, but he enjoys a degree of independence which allows him to negotiate in terms which take account of the intensely commercial nature of property developments.

In spite of the high level of activity in the 1980s, he claims that Boston has not suffered from the over-supply which pulled some other American cities down. "We control the supply. There is good co-operation between the public sector and people who want to build in Boston."

Office vacancy rates are projected at 11.5 per cent in 1990. The BRA predicts they will stay in the 10-12 per cent range over the next four years.

Mr Coyle is optimistic about the next decade, in spite of the fact that some 5,000 jobs were lost in Boston in 1989, compared with an annual average increase of 12,000 in the previous five years.

The economic climate has been hit by several factors: the regional banks' lending history on poor property, the threat of tax increases at the state level, and the slowdown in construction since the last quarter of 1988.

The 1990s will be the test of public/private sector co-operation. Foreign and out of state banks have been wooed by the BRA to finance projects beyond the capacity of the local banks. The refurbishment of one of the early developments — the Prudential Centre — has just been underwritten.

But the big construction projects in the pipeline will still slip back; there is particular uncertainty about the future of the Boston Crossing project.

There are real doubts that three big infrastructure projects relying on federal and state funding to a varied degree, will go ahead.

The slowdown must put strain on the linkage concept, pioneered by Boston. Developers pay a levy — according to the size and location of the project — into a fund which helps to finance social projects, like low-income housing, and training.

A further development of the concept links the disposal of publicly-owned valuable downtown sites to sites in depressed neighbourhoods. Development of one must be accompanied by development of the other in such a way as to provide for the needs of the neighbourhood.

But some argue that the tax concessions to developers far outweighed any social payments that they have been obliged to make. Linkage might have worked when developers were anxious to work in the city. The prospects must be for a more difficult climate in the near future.

Mayor Flynn says that poverty has declined in Boston. In most big cities, it has increased. But the pockets of poverty are severe. His unpopularity with parts of the black community can be measured by the flak that he has taken over the handling of a particularly unpleasant murder incident last autumn. It is an uncomfortable reminder that Boston is a "pretty segregated city", admitted a leading businessman who had returned after a long absence.

Boston has pioneered many experiments in public/private sector co-operation, like the Education Compact, where the city's business leaders have taken a prominent role.

But there are still some big gaps waiting to be plugged. An extensive study published last summer confirmed what everybody suspected, that getting a bank loan — for home or business — is more difficult in the inner city.

The Massachusetts banks, with some prodding from the Federal Reserve Bank of Boston, the city, community leaders, and others, have agreed to package a facility which will be targetted at these areas.

Boston has shown itself to be a lively, ambitious city. Government and business have worked together. Some innovative deals have been struck. The next decade will be watched with interest by outsiders to see whether harmony can be maintained under greater pressures.

Compact is one of many schemes aimed at improving inner city schools. **Hazel Duffy** on the link between education and business

Testing partnership that needs to produce positive results

EMPLOYERS want to recruit and train good school-leavers. The improvement of education standards and discipline in schools is a critical component in preparing high school pupils to take jobs, or go on to college, and keep them away from crime.

In the US, many companies are involved in a variety of initiatives to try and reconcile these two objectives.

Education partnerships, in common with partnerships for economic development, are the most advanced of the various forms of partnership arrangements in the community, says Ms Renee Berger, former director of the partnerships division of the White House Task Force on Private Sector Initiatives, now running Washington-based Teamworks consultancy. "This is because they are both related to the corporate bottom line."

The scale of the problem confronting education is immense in some US cities. The drop out rate is 29 per cent nationally, and in some big urban areas it is 50 per cent. It is estimated that employers in the US are spending \$25bn a year teaching basic skills to employees.

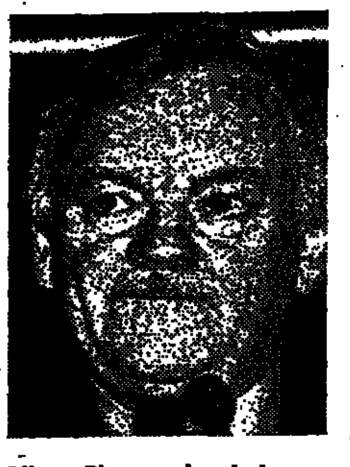
Compacts, pioneered in Boston, offer a possible solution for a minority of students.

Detroit is in the first year of its Compact. It took two years to set up, the details were worked out in the first half of last year, and the scheme went into operation in five schools last September, one high school and four middle schools.

The inclusion of the middle schools, it is hoped, will establish the disciplines (required by the agreement) in students at an earlier age. The architects of the Detroit Compact believe this was one of the failings of the Boston Compact, which has since been remodelled. Agreements with individual students have also been made in Detroit schools, rather than the whole plan being imposed from the top.

The business side of the agreement includes the guarantee of jobs for graduates who meet required standards. Scholarships for students going on to college, and summer jobs, are provided in conjunction with the state government and higher education institutions. Packages of resources for each school is provided by a group of businesses, while individual companies provide tutors and management assistance.

Signatories to the agreement also include the city, building



Allen Sheppard, chairman and chief executive of Grand Metropolitan: supporting schools in Britain and the US

trade unions, the Board of Education and General Superintendent, school administration, teachers, parents, and students.

Standards of attendance and punctuality will be tough to meet. One estimate is that only 10 per cent of students will meet them. Academic skills, personal management skills, leadership and teamwork skills are all part of the package by which students will be assessed for their "job readiness". For students wanting to go on to college, the standards are more rigorous.

The difficulty for employers will be to turn down students who meet the skills requirements but fail on attendance and punctuality.

But the signatories hope that the Compact will be a force for changing "basic behavioural problems" in the schools. Those problems revolve around drug-taking and pushing, leading to rival gangs in schools.

Compacts have been set up in several British cities. The first was sponsored by the private sector. They now receive government funding.

Grand Metropolitan was one of the first sponsors. This spring, it will help fund another American transplant to Britain in the shape of Cities in Schools (CIS), which is also sponsored by Burger King, a GrandMet company, in the US. The launch campaign will lead to a pilot in Tower Hamlets, in London's East End.

CIS aims to lower the appallingly high rate of drop-out from school. Its organisation is based on the premise that the services needed to help youth who are at risk are there, but that they are scattered across a number of agencies, with the result that young people are confused, and do not make use of them.

Working with school officials, government, business and volunteer groups, CIS brings the services into the schools to work alongside the teachers. The result is "an extended family of professionals". Family members, social services and the individual are all given responsibilities in the course.

Companies can use CIS as a means of involving their workforce. In Atlanta, employees of Rich's store are given time to serve as tutors and mentors for students. The students can take part-time and summer jobs in the store, to make them familiar with work, and to encourage them to participate at school.

The store also runs Rich's Academy to give a second chance to those who have dropped out. Most are from single-parent homes, 15 per cent have had children, 98 per cent are economically disadvantaged and 10 per cent are juvenile offenders.

Burger King Corporation is planning 10 similar "academies" in the US. Many of the company's 250,000 employees are teenagers, so it makes sense for the company to try to improve the chances of young people to stay in school, providing the labour which the company needs.

Business and education partnerships enjoy the blessing of Mrs Barbara Bush, wife of the president. CIS even managed to win an extra \$1m federal funding recently.

To make them work, however, requires more than money. Dale Mann, a professor, and Barbara Reinhalter, senior research associate, at the Centre for Education and Employment, Teachers College, Columbia University, recently gave the following rules for business:

- Act like a business, not a charity: make investments, not donations
- Stick to your business — if a corporation makes a visible, name-brand recognition commitment, that makes for a more vigilant partnership
- Negotiate goals, measure outcomes, enforce accountability
- Have a vision. Most dreams are shattered in schools, so, if you have an idea about a different teaching technique, subject, or what education should fundamentally be, and you are willing to assist in the initiative, go for it!
- Teach. People who enter education from other fields do not realise that they often have much to teach, not in the form of passive delivery systems, but using the increasingly innovative training techniques in business.

BP AMERICA

Facing uncomfortable truths

"IT is all well and good to praise the private sector for nice projects. But private sector initiatives are not going to cure sick cities. They're only a drop in a gigantic bucket."

Mr James Ross, president and chief executive officer of BP America, called his speech last summer to the City Club Forum in Cleveland: "Facing an uncomfortable truth."

BP America's drop in the gigantic bucket exceeded \$11m last year, split between education, civic and community projects, health and human services, and help to neighbourhood projects.

It looks quite substantial, although in fact the figure had been a good bit higher before the 1986 profit downturn and BP's full takeover of Standard Oil, which actually initiated the community projects in Cleveland. It is a measure of the respect earned in the US by British-based BP that, in spite of the cut, the company is mentioned frequently in the US as a leader in the community programme arena.

The reason seems to be that the programme is well thought out. It is managed by a specialist division. Senior management is personally involved. Mr Robert Horton, Mr Ross's predecessor and now chairman designate of BP, quickly calmed fears that the British takeover of Standard Oil would lead to a reduction in the commitment to the community.

In 1990, BP America expects to spend \$13m on community programmes. In Cleveland, home of the head office, the emphasis is on the blighted areas between the city centre — which is in the process of being restored and renewed — and the lush suburbs.

In the early 1980s, Cleveland was a city of growing affluence, but the city itself was falling apart. Standard Oil, as it was then, decided it wanted to make a mark that its then policy of giving across the board was not achieving. Programmes based on self-help provided the answer.

That meant working in part through the community development corporations — non-profit, grass-roots groups which are well developed in the US. More than half of their boards normally come from the neighbourhoods. Money, and people who could bring expertise to the boards, were put in.

Housing is one of their priorities. The long-term plan is to get the banks back into the neighbourhoods on a normal, straight market basis. That means creating confidence and stability.

Much of Cleveland's housing stock is pre-1940 timber-framed. The national Local Initiatives Support Corporation (LISC), which has become an increasingly important link group in facilitating funding of low-income housing, was

Right community spirit: James Ross, of BP America

brought in.

BP has involved itself in around 500 units of housing, investing through various groups, and taking advantage of federal tax credits available on housing. This way, companies can make a return of between 9 per cent 16 per cent per cent on social investments.

Improvements to the public education system are high on BP's list. Pressure from leading companies in the city has opened up the debate with the authorities. Meanwhile, nearly \$2m has been subscribed to a \$16m fund which awards scholarships to people selected to go to college. Most are from ethnic minority groups.

But it is not only a question of giving. Mr John McDonald, executive vice president, sets the scene for others to make a commitment to making the schools work.

Another focus is an organisation called Neighbourhood Progress Incorporated. Residents, who sit alongside representatives from local corporations, government and foundations, are trained to manage neighbourhood revival. BP's Mr Ross played a lead role in setting it up.

There can be no complacency in Cleveland. Poverty has increased in the 1980s, in spite of the general affluence. The city looks like it is pulling off a remarkable feat in arresting the spiral of decline in which it seemed hopelessly caught up 10 years ago. But it can really only claim a success if those neighbourhoods are revitalised.

HD

GENERAL MOTORS

Speedy action stops decline

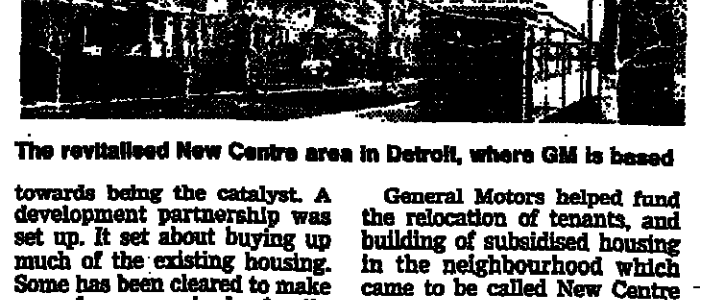
GENERAL Motors has occupied its head office building on W. Grand Boulevard, four miles north of downtown Detroit, since 1922.

Then, it was a thriving mixture where people lived, worked, shopped and were entertained. But decline, so familiar in older US cities, set in, exacerbated by the 1967 riots.

GM seriously considered moving out of the area. In the 1970s, it decided against it. Instead, the company made a positive commitment to stop the decline, by improving the area immediately around the New Centre.

The original area comprised 18 blocks. The second phase of the project has extended the area. Consultants had recommended housing rehabilitation, and eventual private ownership, as the key to making the area stable.

GM was the prime mover in the operation, although other companies in the area have played a part. It moved towards being the catalyst. A development partnership was set up. It set about buying up much of the existing housing. Some has been cleared to make way for new single family homes and apartment blocks. That meant moving out tenants.



The revitalised New Centre area in Detroit, where GM is based

Public finance has been an important constituent in the whole operation, in the shape of federal grants (UDAG) administered by the partnership on behalf of the city of Detroit. The National Bank of Detroit provided 30-year fixed rate mortgages below market rates to encourage people to buy homes.

General Motors helped fund the relocation of tenants, and building of subsidised housing in the neighbourhood which came to be called New Centre Commons, which represents a joint public/private sector investment of nearly \$60m. The public investment is about 15-20 per cent of the total.

Some fine, timber houses in the area have been renovated. Streets have been closed off to minimise through traffic, lighting improved, trees planted, in a bid to make it an area where people would want to live. Many people work at nearby Wayne State University and the huge Henry Ford hospital.

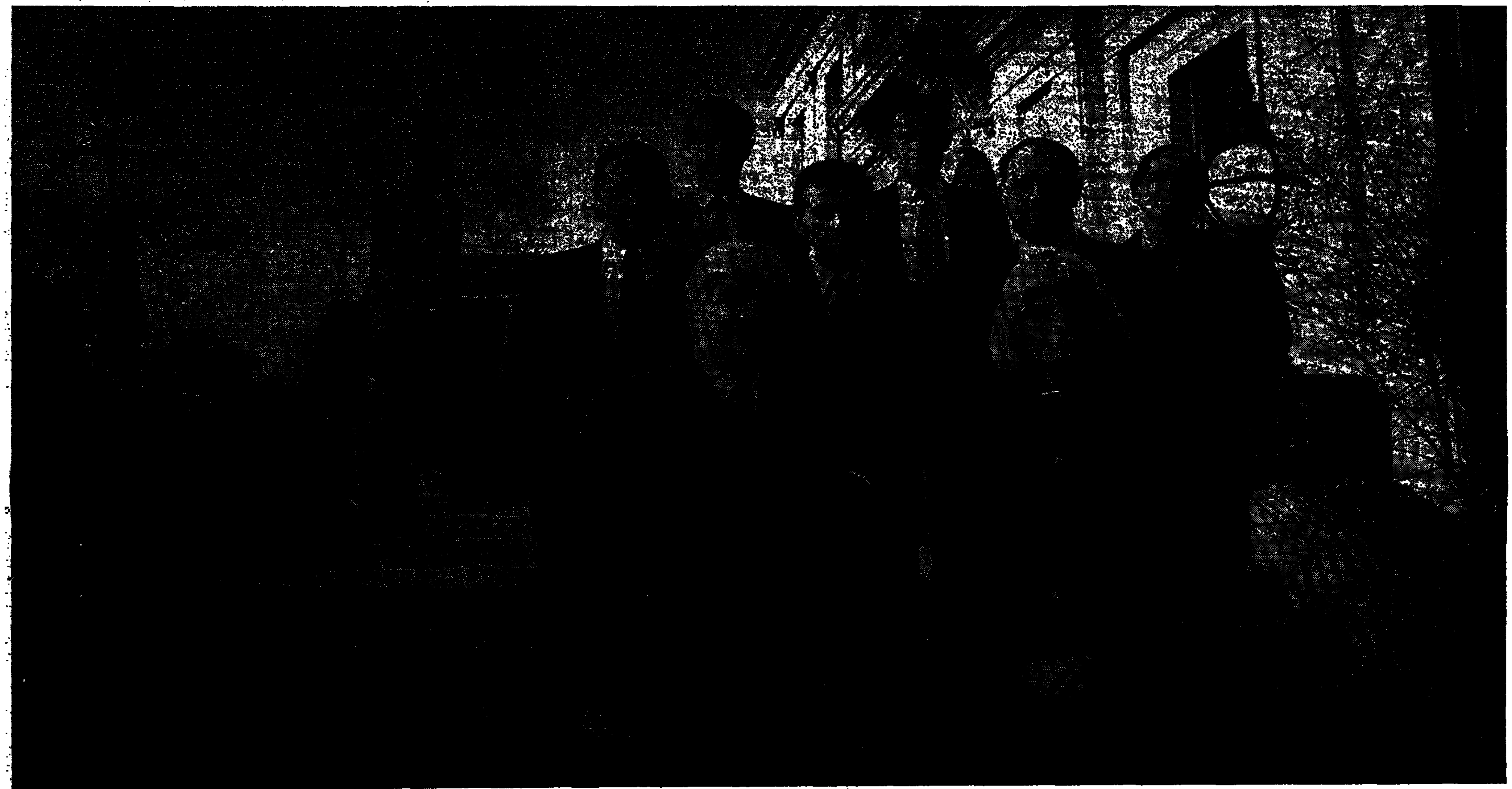
As the residential developments proceeded, GM started a new phase which focused on the redevelopment of the commercial district. A partnership was formed with a Canadian company, Trizec, and an eight-storey atrium complex was built. As well as offices, retailers have moved in, although slowly. The owners of the Hotel St Regis, opposite the GM head office, have renovated and expanded the hotel.

"Our whole effort was to create an environment for future development", said Mr Robert Gregroy, manager of the programme. "Now, our goal is, with others, to enhance links with the area, to create a cultural centre (the area includes the famous theatre in the beautifully rich Fisher building), and to go on keeping the area stable."

GM has learned along the way, and other companies, wanting to do something similar, come to learn from GM.

HD

They think they know how to run business better than the Government.



(So does the Government.)

For this country to succeed in the nineties, it needs a more skilled and adaptable workforce.

Anybody in business will tell you that.

They'll also tell you not to pin your hopes on politicians to do the job.

Oddly enough, that's a sentiment the Government is the first to agree with.

That's why it launched Training and Enterprise Councils – to give business men and women greater authority and spending power to promote economic growth in their own communities.

TECs were only launched in March. Today, over 50 are well under way, covering two thirds of the country.

And what everybody thought would take at least 2 years to achieve has happened in just 9 months.

That's a good sign. Because over the next decade we will need an imaginative and informed response to skills training.

And the people who will make that happen don't sit in Government; they sit on TECs.

THE TECs SO FAR

South East Milton Keynes, Hertfordshire, Essex, Hampshire, Isle of Wight, Thames Valley, Heart of England (Oxfordshire), Kent. **London** Aztec (Kingston/Merton). **South West** Avon, Devon/Cornwall, Dorset, Somerset, Gloucestershire. **West Midlands** Birmingham, Walsall, Staffordshire, Dudley, Wolverhampton, Coventry/Warwickshire, Sandwell. **Northern** Teesside, Tyneside, Wearside, County Durham, Northumberland. **East Midlands and Eastern** Central & South Cambridgeshire, North Nottinghamshire, Norfolk/Waveney, Suffolk, Greater Peterborough, Northamptonshire. **Yorkshire and Humberside** Sheffield, Calderdale/Kirklees, North Yorkshire, Rotherham, Leeds, Barnsley/Doncaster, Wakefield. **North West** Manchester, Cumbria, East Lancashire, Rochdale, Oldham, South and East Cheshire, Wigan, Stockport/High Peak, Bolton/Bury, St. Helens. **Wales** Mid Glamorgan, South Glamorgan, North East Wales, West Wales, North West Wales, Gwent. As at 29/1/90.

Pictured above: Members of the Calderdale/Kirklees TEC.

EMPLOYMENT DEPARTMENT GROUP

TRAINING · ENTERPRISE · COUNCILS · TEC

LEADERSHIP PROGRAMMES

Tomorrow's stars

US CITIES and towns have given birth to a new format to express community consciousness in the past 10 years.

Community leadership programmes are designed, quite simply, to groom people across the spectrum of the community in common goals for the "good" of that community.

The first leadership programme was set up in Philadelphia in 1959. Now there are between 400 and 500, and they are spreading to smaller towns, where two or three might group together.

In the best American tradition, the programmes are grouped, loosely, under the umbrella of a national association which stages an annual convention. The chambers of commerce have supported the programmes with accommodation, staff, etc.

The objectives of the local programmes are similar, but the mix of people selected to take part and the means of informing and educating them in the community with a view to them becoming "leaders" are adapted to suit the local need.

Leadership Atlanta, for instance, which has been going for 20 years, summarises its objectives thus:

- Establish relationships among existing and emerging leaders from varied segments of the community to assist in solving community problems.
- Educate participants on facts of significant community issues and alternative approaches to solutions to community problems.
- Develop and inspire leadership in solving community issues.

Participants are selected each year to take part in courses consisting, typically, of about six one and two day sessions. The successful applicants – in most cities, people are queuing up to take part – are picked from business, government, the arts, charitable institutions, education, churches and local community groups.

Selection is made partly by reference to the applicant's experience in community affairs, but also to their current position and potential promotion within their organisations.

In Detroit, for instance, there is a determined effort to mix racial groups. Thirty four per cent of the current year group is black, five per cent from minorities; half of the group is female.

Leadership Cleveland has a particularly high participation from the city's businesses. They include chief executives, and the tier from which the business leaders of tomorrow will be chosen.

"We take about one in three of those who apply," says Mrs Judith Ruggie, who runs the Cleveland programme. "It is very hard to turn down people who are in a leadership role in their companies. But nobody buys the programme. We try to keep a balance, about one third, including females, from the minorities. But we do not go in for tokenism."

Leadership Cleveland has a particularly high participation from the city's businesses, including chief executives

The new mayor of Cleveland was a participant in the class of '79. He rubbed shoulders with people who have since emerged at the top of their corporate trees, for instance, and those who have gone on to represent local communities.

The participants in Detroit learn about the criminal justice system. That includes a visit to a prison, which can come as an eye-opener to many of the participants. They study the education system, visiting public schools. They thrash out issues relating to racism.

"It creates rapport, and leads to increased co-operation between diverse groups," says Mr Lowell Baker, who is on the current programme. He lives in the city and is an active worker in the community. He works for the Detroit wing of the Associated General Contractors of America.

"We have to find a way of improving co-operation between the city and the suburbs," he adds. Some think that one of the main achievements of leadership programmes is that they offer a means for suburban residents – mostly middle-class, white Americans – to do something for the city proper.

Critical to the longer term effectiveness of the programmes is the alumni system. Ten years in existence adds up to about 600 people who have been through the programme in any one city. Their photos and brief details appear in a book updated every year, which serves as a valuable source of appointments material. A full programme is organised to keep up the contacts and bring together participants from different years.

Keeping up the momentum will become a problem for these programmes as they go into their second and third decades. Mr John Reed, current president of the National Association of Community Leadership Organisations, and a senior Louisville lawyer, explains that the next phase is "community trusteeship".

People must be made aware that there is a community implication that goes beyond the immediate interests of the two parties to a negotiation, between trade union and employer, for instance.

Finance for the development of this phase in pilot programmes is being made available by the Lilly Endowment, as part of a wider study on communities. "This will not create a Utopia, but it will give the community leaders another vehicle to understand that their responsibilities are broader than those that surface in the heat of the moment," says Mr Reed.

HD

Hazel Duffy meets Atlanta's Mayor Jackson

Poverty amid plenty

MAYNARD Jackson, newly inaugurated mayor of Atlanta, is a large man who has been here before. He was the first black mayor of the city, in the 1970s (he was succeeded by Andrew Young).

He inherits a city which is expanding rapidly in the fast-growing state of Georgia. It has long been home to big corporations such as the Coca-Cola company. R J Nabisco relocated to Atlanta three years ago. The airline hub of the south-east, it is the headquarters of Delta airlines. The city is the US's candidate for the 1996 Olympics.

Mayor Jackson, however, is confronted with many of the same social problems that loomed in the 1970s. A powerful group of business leaders has worked with the city to ensure that the downtown area is not disadvantaged by developments to the north of the city.

The restoration of part of the historic centre close to Peachtree Street into a covered area of speciality shops and food hall – Underground Atlanta – will, it is hoped, further underpin the downtown effort.

But the homeless cannot be hidden. They are on the streets which are lined with substantial office blocks, department stores and hotels. They are a symbol of the problem of poverty in the midst of plenty, and of the wider question about how that wealth is distributed.

Mayor Jackson recently promised that he would come up with "a legitimate, humane solution" to the downtown problem.

It will include new housing units on parcels of land around the city owned by the council, the rehabilitation of public housing, and the sale of houses to people paying market rents.

A new criminal justice centre, with courts, accommodation for police and a pre-trial detention centre, is planned. Crime and drugs haunt Atlanta along with so many other US cities.

It has one of the highest incidences of AIDs sufferers. The state of education and the lack of skills perpetuate the poverty.

A comprehensive youth development programme, building on the experience in neighbourhood groups in other cities, is planned.

"Government is becoming more entrepreneurial, and far more aggressive in establishing the means for fighting poverty and homelessness," he says

Mayor Jackson, however, cannot afford to let social policies take priority over economic stimulation. In fact, as a bond lawyer, he wants actively to promote a financial market for Atlanta, which would start with bonds trading.

He also plans to market city owned sites for industrial development, particularly to international developers and investors.

About a year ago, the city's economic development corporation brought off a deal to develop a 31 acre site next to the airport. Local investors had not been particularly interested in the site on the south side of the city.

British-based London & Edinburgh Trust and Balfour Beatty Developments formed a joint venture to win the tender which was marketed internationally. London & Edinburgh Trust has considerable experience of developments based on airports.

The city is proud that it concluded the deal without the need to offer subsidies. It sees the centre as the starting point for economic development on this side of the city.

Work has started on the site, which will comprise a new hotel and conference centre, and office buildings which will eventually total 700,000 square feet.

Racial politics are intensely important in Atlanta. The home of the civil rights movement, the city still recalls that it did not suffer the same violence as other southern cities. Visiting delegations from African states descend on the city, a spin-off from Mr Young's days at the United Nations, but also a statement to the black population.

Mayor Jackson: faces many of the same social problems that loomed in the 1970s

There is a black and a white power structure in Atlanta. But the business sector is "the single most civically responsible group in the city," says the mayor.

It is enlightened self-interest. "Civic duties are the route to power in Atlanta," he adds.

PROFILE: EDWARD CRAWFORD

Businesslike approach

MR EDWARD Crawford, a "very conservative Republican", who has a string of small manufacturing companies, was one of the team which planned the ceremony to inaugurate Mr Mike White as mayor of Cleveland on January 1.

The black mayor had campaigned on a programme for social justice, but he is careful to include businessmen among his advisers in a city where business took a lead in stalling its decline.

Top companies can play a key role in the power structure in American cities. Cleveland is headquarters to at least 15 companies in the Fortune 500 ranking, including BP America, Goodyear Tire, TRW Inc., and the Eaton Corporation. Mr Crawford shows that there is also a role for the people who run the small businesses.

"I go along with the mayor's sensitivities on neighbourhoods. People tried to solve the problem by throwing money at them, but it did not work. It is security of work that matters," says Mr Crawford.

A New Yorker, he "came to Cleveland by accident." He qualified at night school, and started his first business in the heart of the city. All his employees came from the ethnic minorities.

"My 20s were spent in this atmosphere, the real life of the inner city. I began to understand what was really happening, not just reading about it."

His skills have survived and his business expertise has expanded. He picks up and turns round traditional manufacturing companies – a foundry and a forging press; document cases, etc – all labour intensive, mostly non-union, and located in the inner city.

His vehicle is a venture capital company. "We go into situations other venture capitalists would not because we are a manufacturing operation, not a financial one."

'People tried to solve the problem by throwing money at neighbourhoods, but it did not work. It is security of work that matters'

His tough employer stance – "You have got to be aggressive in low-tech industries in the US" – belies an intense interest in people.

His interests are numerous. He is chairman of the Private Industry Council (PIC) for the county. He organised the drive which brought the Olympic torch to Cleveland on its way to Los Angeles.

(PICs are a national network of joint public/private sector agencies which try to match the labour needs of employers with federally-funded training programmes and educational institutions. The premise underlying PICs is that people made redundant in the restructuring of the US manufacturing industry must be retrained. Britain's emerging Training and Enterprise Councils are modelled in part on PICs.)

Bringing the economically disadvantaged – the "difficult to serve" – on to the labour market is a prime target. But in Cleveland, employers have discovered that the problem goes much deeper. Many people from inner city backgrounds are illiterate. Training therefore becomes the second step, the first must be to teach the most basic skills.

The problems that face part of the PIC open up the whole question of standards in Cleveland's public schools, as well as homelessness and the shortage of housing among people on low incomes.

The mayor will be watched with close interest by Clevelanders to see whether he can match his promises. Mr Crawford, in spite of his very different political persuasion, aims to help him.

HD

Detroit's New Centre area has been overhauled by GM's patronage

Business: a part of the Community 5

Ian Hamilton Fazey on how Business Leadership Teams are helping to revive Britain's regions

Team spirit sustains entrepreneurial attack

MR PETER Henschel says that what stops many business leaders from becoming involved in the community is not unwillingness, but a lack of working mechanisms through which their energies can be channelled sensibly.

"Sensibly" is a key word. Time is so short for all senior executives that they cannot afford to waste it on anything which underuses or undervalues their talents.

So Mr Henschel, a former deputy mayor of San Francisco, has spent much of the past 18 months persuading groups of them to work together on the one area where they ought to excel – planning strategy and getting it implemented.

Together with Mr Richard Wade, a former head of BBC Radio 4, he has been helping to set up Business Leadership Teams (BLTs) around Britain. Each of these is an executive committee of the heads of the most significant businesses in the area.

Most cover a city, some a conurbation, some a small town, some of them specific areas of London. Eleven are now in place, two more are being formed, and six others are being talked about.

The two men have been the core of Business in the Cities, which is a forum of Business in the Community (BiC), the CBI and the Phoenix Initiative, the inner city charity.

Mr Wade, who joined BiC in 1986 to set up its experimental partnership of local private and public sector leaders to regenerate Halifax, in West Yorkshire, was managing director, until he left last month to become head of the Advertising Association.

Mr Henschel is now in temporary charge. He has been working in Britain while his wife is on a two-year assignment in London and is on secondment from Coopers and Lybrand Deloitte, the accountancy firm. The forum will probably become part of BiC when the Henschels return to the US in the summer.

By then, the work should be done. Indeed, having two such heavyweight salesmen for the BLT idea has also been part of not wasting senior executives' time in the selling process.

Their effectiveness in getting to top decision makers in industry and commerce is nowhere more obvious than in north-west England, where 17 business leaders decided to work for a whole economic region of more than 7m people, rather than a single city or town.

Peter Henschel: 'The measure is always going to be whether there is enough local commitment to make it hold'

The north-west team includes some of Britain's leading industrialists, such as Sir David Alliance, group chief executive of Coats Viyella, Mr Christopher Harding, chairman of British Nuclear Fuels, Mr Andrew Quinn, managing director of Granada Television, Mr John Ashcroft, chairman of Coloroll, the Duke of Westminster, Mr Desmond Pitcher, chief executive of the Littlewoods Organisation and Mr Antony Pilkington, chairman of Pilkington.

Mr Henschel says: "These people had never met together before. They all discovered they like it. Each has a stake in worrying about their region. They bring their business instincts to meetings and don't leave them at the door. We have several good ideas and projects to back and we shall see an increasing amount of action."

Mr Ashcroft has played the chairman's role and has continued to do so in spite of Coloroll's recent troubles as a result of economic downturn, although his lot will be eased shortly when a chief executive is appointed to run the BLT.

The significance of the north-west team is that its members hope to encourage initiatives that will transform the role played by the private sector in the community and in economic development.

They hope to break out of the small scale of private sector support for enterprise agencies or partnerships covering individual towns or cities so as to create a wider regional or national impact.

Fields being covered include transport policy and its effect on competitiveness after 1992, the creation of a more positive image for their region, promotion of inward investment from abroad and relocation northwards by companies in the south of England, training and enterprise, and environmental and inner city projects.

Mr Ashcroft stresses that the team is not another lobby group. "The CBI lobby process is usually a head to head clash, followed by a moan," he says. The team will not compete with existing agencies but support them, beefing up their budgets where needed.

Diplomacy is seen as a principal activity, with corporate resources being used to produce the research and information needed for back-up. For example, there have been private talks with the Government about improvements to the infrastructure needed for the advent of the European Single Market in 1992.

The key to making these initiatives work seems to have been to bring together business leaders who would not otherwise have all met at once, especially when chairmen of international companies have been involved

This is an important plank in the team's strategy, which makes the inter-relation of road, rail, air and sea transport central to regional industrial development.

Inward, the north-west's agency for attracting overseas investment, is also being backed. It cannot promote the region to the overcrowded south-east without jeopardising its Government funding, so the business leadership team will pay for this directly.

Each issue backed by the team will have a champion from among the chief executives and chairmen to lead the fight. For example the infrastructure work is being led by Mr Alan Cockshaw, chairman of AMEC, the construction and property group.

Individual projects will also be adopted by particular team members: for example, Kelloggs is focusing on support for Moss Side, the problem area in Manchester's inner city.

However, strategic regional projects will get wider backing. The team as a whole is supporting Manchester's new world-class concert hall for the Halle Orchestra because it will affect the quality of life in the region and enhance its ability to attract and retain able executives.

It is also backing an environmental clean-up campaign for the region. Another flagship project is for an international-standard sports centre. The team is linking here to the British bid to stage the 1996 Olympics in Manchester.

The rationale behind the team was described by Mr Ashcroft last year: "All of us individually are pursued by various charities. It was felt that the sum of the whole would be much greater than what any of us could achieve on our own. Other business leadership teams have been smaller and committed to a single community. We can look at a region as whole."

None of this is to decry the work of the other teams, but it is unlikely that so many senior industrialists would have come together for a less ambitious project. Moreover, other smaller BLTs are in place or planned within the north-west and will pursue their own objectives at local level.

The BLT initiative arose after BiC had formed its Calderdale partnership, which is centred on Halifax, and the CBI had encouraged The Newcastle Initiative. Phoenix was also operating in several inner cities and it was logical to pull the thinking and action together.

The results have included The Wearside Opportunity in Sunderland, which is led by Mr Frank Nicholson, chairman of Vaux Breweries, and The Hallam Group in Sheffield, chaired by Mr Hugh Sykes, who also chairs the city's urban development corporation.

The Blackburn Partnership, founded by BiC, is also a BLT, and there are others in Nottingham, the Rhondda Valley, Bradford, Bristol, Teesside and Birmingham.

North-east London's team is chaired by Mr Allen Sheppard, the chairman and group chief

The team will not compete with existing agencies but support them, beefing up their budgets where needed

executive of Grand Metropolitan. It has raised £25,000 for a tourism trust, which will work closely with the East End Heritage Centre, a commercial development by Brent Walker.

A Newham BLT is in the embryonic stage and will be led by Mr Neil Shaw, the chief executive of Tate & Lyle. Another is planned for north-west London. Business in the Cities is also consulting on teams for Derby, Londonderry, Knowsley, Preston, Camden and Cornwall.

"The measure is always going to be whether there is enough local commitment to make it hold," Mr Henschel says. "Other developments will help because each team is developing healthy and pragmatic links to the new Training and Enterprise Councils. On Teesside they have interlocking boards."

The key to making these initiatives work seems to have been to bring together business leaders who would not otherwise have all met at once, especially when far-travelling chairmen of international companies have been involved.

It was different a century ago, when communications were poorer and business leaders were rooted more strongly in the provincial cities where their businesses were born. Then, they served on local councils and founded chambers of commerce. Now, these bodies are too time-consuming and non-specific for them. The BLTs look like being a more apposite mechanism for today.

ENTERPRISE AGENCIES

Evolution of market provokes radical change on agencies

BRITAIN'S local enterprise agencies are a particular case of the theory of evolution. Their birth and early propagation were more accidental than planned and they have already proved one of the more durable and successful job creation initiatives of the last dozen years; but they must now adapt or die.

The need for this enforced change is that the market they service – Britain's small business sector – is changing in composition and needs. At the same time, the agencies have to find new sources of sustenance for themselves in the shape of money to pay their running costs.

A further force is the arrival of the Training and Enterprise Councils (TECs). The "enterprise" side of the TECs is likely to be filled by the agencies. Most of the bigger ones are talking now to the TECs as they form, aided by many examples of overlap between private sector managers who sit on the boards of both.

The agencies began in the late 1970s. Britain had witnessed a decline in self-employment during the previous five years and starting a small business was an obstacle race through red tape that deterred all but the most determined.

This prompted several independent local initiatives, but the one which became the model for early imitators was the Community of St Helens Trust on Merseyside.

This was underwritten by Pilkington and supported by the town council, both of which saw it as a means of spreading the local industrial base so as to decrease dependence on the glass industry, where new technology was forcing mass redundancy.

The original concept was developed Mr Bill Humphrey, an energetic but restless senior executive in his 50s, who had run several companies or large divisions of big corporations around the world, but who had attained independent means and was looking for an outlet for his energy.

He was interested in job creation through encouraging would-be entrepreneurs. He quickly evolved the idea of a small business advice bureau where people could be shown how to help themselves.

Advice centred on how to assess the market for their ideas and talents and the drawing up of business plans to secure bank loans to get going. For the clients it was a training exercise in the first stages of entrepreneurship.

Banks responded by lending staff to help run the agency and advise clients. Over the years this process was to produce a much wider understanding among bankers of the needs of small businesses.

If proof were needed that the enterprise agency was an idea waiting for its time to come, their growth in the seven years to 1986 would be it.

The St Helens model was copied first in the north-west, then more widely after Mr Michael Heseltine, then Environment Minister, had spotted the potential and secured start-up funding from Government for new agencies.

In 1983 their spread became even more certain when Mr David Trippier became small firms minister and decided to encourage a more than doubling of their number to at least 300 agencies, spread throughout Britain, within three years.

Although Government funding was available, this was seed-corn money. The bulk of the resources needed – cash and kind, the latter in the form of secondments of staff and gifts of equipment – had to come from the private sector and local councils.

The Deptford Enterprise Agency in south London: agencies are under pressure to adapt or die

Tax concessions encouraged this process. The result is that there are now more than 300 enterprise agencies. More important, however, is the increasing spread of private sector sponsors, which were initially confined to the top few hundred big businesses in Britain.

According to Mr David Grayson, managing director for operations at Business in the Community (BiC): "More than 5,000 companies sponsor enterprise agencies. Since 90 per cent sponsor only one, it follows that most of the sponsorship is local and by medium-sized companies.

"Sponsors now include many ex-clients. Sponsorship still takes the form of cash or secondment of executives for career development."

BiC became the umbrella organisation for enterprise agencies early on in their growth and they themselves have been the backbone of BiC's own development.

'We are seeing the emergence of the super-agency. Some of them even have their own substantial venture capital funds. It is important to try to make this sort of service more widely available, with the super-agencies becoming small business financial boutiques'

With Prince Charles as its active president, BiC now figures largely in all of Britain's strategic thinking on how to foster local economic development and, quite literally, to get more businesses involved in the community.

Mr Grayson is the guiding force in present developments. He says: "There is a continuing change in the agencies' client base away from the unemployed seeking self-employment or to set up a small business.

"In 1988, the latest figures, half of all inquiries nationally were from people with jobs who wanted to work for themselves, often requiring a much more sophisticated range of help than mere advice."

Some financial packages arranged by the bigger enterprise agencies now run into hundreds of thousands of pounds. "Relatively few of the agencies will be able to provide this," Mr Grayson concedes.

"We are seeing the emergence of the super-agency. Some of them even have their own substantial venture capital funds. It is important to try to make this sort of service more widely available, with the super-agencies becoming small business financial boutiques."

One such agency is Donbac, the Doncaster Business Advice Centre, which last year raised £1m from pension funds and local institutions for its own venture capital fund. Many investors were individuals buying a 1,000-share minimum stake at £1 a share.

St Helens Trust started its own fund more than five years ago, using the Business Expansion Scheme rules to set up a syndicate of investors among well-heeled locals.

St Helens' annual report, just published, also reflects the changing nature of the agencies' marketplace.

There was a 28 per cent in the number of people asking for start-up advice, but a 25 per cent increase in actual start-ups.

Dr Ron Halford, the director, has been with the trust from Mr Humphrey's days and is now Britain's longest-serving enterprise counsellor. He says this reflects a greater commitment to actually starting up among people seeking advice.

New starts in 1988-89 totalled 143, which represents more than 15 per cent of the 889 since 1978. There were 22 expansions by existing companies, while 324 other businesses came for other advice.

Redundancies among bigger employers in the town continued, however, bringing the aggregate of declared job losses plus the 1980 unemployment level to a figure of nearly 28,000.

There has been little migration, but unemployment is down to just over 8,000, which means that nearly 20,000 jobs have been created in the town in 10 years. This in turn means that the agency idea must have worked, Dr Halford says.

However, the problems facing the agencies revolve round how to match increasingly sophisticated demands with levels of sponsorship which are unlikely to expand fast enough to fund them, in spite of the larger number of sponsors.

Mr Grayson says: "There is a lot of competition for resources and sponsorship. To solve the problem we think the trend will be for between 40 and 50 super-agencies – perhaps four or five in each economic region – sitting at the centre of a network of advisory-type agencies.

"Agencies specialising in particular advice or fields would offer these into their local network. The underlying trends would have happened anyway without the TECs, but they are accentuating them because one of the things the TECs will be encouraging strongly is much more networking between the agencies.

"There will be a trend to common marketing and the swapping of particular consulting specialities. This sort of networking will keep local knowledge intact while enabling a wider spread of a better service. It will also spread the costs and give sponsors better value for money."

For the agencies the TECs will themselves offer a route to earned income because they will be able to bid for enterprise training, which the Government wants to contract out to improve its local relevance.

The agencies are also developing services which they hope clients will be happy to pay for. These will be in fields smaller businesses cannot afford in-house, such as appraisal, training and head-hunting, as well as comprehensive databases of business information, similar to those provided by West German chambers of commerce.

Not that the agencies will be copying any other country. There is still a widespread ignorance among the general British population about what they do but they have become much admired abroad, not least because they have provided a vehicle for private sector support for local job creation.

Many countries wish they had something similar and are trying to set them up. It is not always the British who need to learn from someone else.

Ian Hamilton Fazey

SHEFFIELD: World Student Games

The toughest test yet

THE ROLE of businesses in their local community is being put to its sternest test in Sheffield as the city struggles to ensure that the World Student Games, which are scheduled to take place there in 17 months' time, are actually staged.

The company running them is £2.5m in debt, the bulk of the £27m operating costs has yet to be raised, the chief executive has been sacked in an acrimonious row, neither the BBC nor ITV networks want to run the television coverage, and building costs of the sporting facilities have risen from £111m to £140m.

The city's political and business leaders are now pouring in short-term cash and management time to save the Games, the largest sporting event outside the Olympics, with teams from 120 countries and more than 6,000 competitors.

Sheffield embarked on this high-risk venture nearly four years ago as a form of politico-economic therapy. The city had spent much of the early 1980s staging a damaging slanging match between its Labour council and the local business community over who was to blame for recession and rising unemployment.

Each side seems to have become aware of the sterility of the debate at about the same time and a rapprochement began. The games would bring everyone together with common purpose, so £850,000 was spent to win the right to stage them.

A charitable trust, Sheffield Leisure and Recreation, was set up by the city council, together with two subsidiary companies, each limited by guarantee with the council as the first guarantor. One company, Sheffield for Health, would build and develop the facilities – and operate them afterwards – while the other, Universiade GB, would run the games and at least break even.

The plan was for Sheffield for Health to borrow on the open market for the stadium, swimming pool, arena and anything else needed, the sums to be repaid by the city over 25 years.

Meanwhile, Universiade GB would live mostly off sponsorship, which was itself dependent on selling television rights. An overdraft of £1m – guaranteed jointly by the city council and the private sector – was to finance Universiade's early growth as it built credibility and sold the games as a concept to television executives and thereafter to a cascade of sponsors.

The failure to sell television rights before the money ran out left Universiade GB with a problem typical of many a risky business start-up: financial institutions like the idea and advance the necessary capital, but a combination of rapid growth, accelerating costs and slow revenue soon creates cash-flow problems.

The rescue is now in the hands of Mr Norman Adsetts, chairman of Sheffield Insulations and also of the Yorkshire and Humberside regional council of the CBI. Mr Adsetts is also a principal figure in Sheffield Partnerships, the vehicle through which the public and private sectors have been working together in the city.

It has already achieved much and has been held up by Business in the Community (BiC) as an example of how to do things.

According to Mr Peter Henschel of Business in the Cities, the forum of BiC, the CBI and the Phoenix Initiative, the inner-city charity: "The World Student Games would appear to be a classical case of over-raised expectations and a great challenge now to the business community. For the sake of the survival of the partnership, Mr Adsetts and his friends have got to deliver those games."

Mr Adsetts says that Sheffield's experience is not unusual and that every leading games around the world in recent years that have not been state-backed have had similar problems with management and funding.

His own presence as one of Yorkshire's industrial heavyweights is probably the main factor in Universiade GB's credibility as far as potential local sponsors are concerned. Special packages have been designed for them ranging from £5,000 to £250,000.

For example, "partnership" can be bought for £10,000, entitling companies to discounts on programme advertising and preferred access to events. For £35,000, sponsors can adopt a country, with acknowledgement on all flag-poles flying that country's flag and the availability of its athletes for promotional events. Other sponsors are being sought for the associated cultural festival.

Some debts have been converted into membership of the 91 Club, the £5,000 subscription to which brings with it special concessions on tickets for the opening and closing ceremonies.

The latter are likely to be paid for by the Meadowhall property group, which is building Europe's largest retail and leisure complex in Sheffield. The company has put up £250,000 and is expecting to invest a total of £1m.

Can the games survive? Of Universiade GB's debts, £1.5m is a loan from Sheffield for Health which Mr Clive Betts, the pragmatic and well-regarded leader of Sheffield city council, says might eventually be converted to a gift. The company is up against its overdraft limit of £1m but it does have monthly payments from the Sports Council – part of £3m total grant which seems to have been 18 months late through a combination of red tape and policy review by the Government.

Mr Adsetts believes all this will be enough to bridge the gap until television coverage and the ensuing international corporate sponsorship can be secured. However, there are still risks: he has reserved £2m for Universiade GB to hire an independent production company, if needs be, to take the pictures, which would then be sold on for broadcast around the world.

In the meantime, recruitment has been frozen and future staffing needs will be met from secondment. Mr Adsetts believes that the experience should provide invaluable management training and he hopes that companies used to seconding staff to community projects will jump at the chance.

There have already been some bitter recriminations about what has happened so far. More arguments later if the games run at a deficit would be a poor advertisement for partnerships embarking on anything really ambitious ever again.

Ian Hamilton Fazey

Dean Clough Industrial Park

Blighted area restored to its former glory

Halifax's sprawling carpet mills were the source of the area's wealth at the turn of the last century. Today they are generating a new type of wealth for the turn of a new century. Ian Hamilton Fazey reports on a successful example of property recycling

DEAN CLOUGH Industrial Park must rank as one of the most successful pieces of property recycling in Britain. Yet seven years ago it faced a scale of dereliction so large that it threatened to blight the town of Halifax, in Calderdale, West Yorkshire.

The park is a sprawling complex of former carpet mills in the heart of the town. There are 16 multi-storey Victorian mills containing 1.25m sq ft of space. With 11 of the buildings listed, there was no prospect of their being demolished as they became disused and empty.

It was here that the turn-of-the-century wealth of Halifax was generated by the Crossley family. However, when International Carpets took over Crossleys and rationalised production to Kidderminster, it seemed the mills had run their course.

They had – as a carpet factory. Today they are generating a new type of wealth for the turn of a new century. Old space has been refurbished, divided and let.

At the park there are 300 businesses employing more than 3,000. They pay more than three times more in rates than Dean Clough did as a carpet factory. Only 200,000 sq ft remain for redevelopment, but building a bigger multi-storey car park to ease existing demand is as much a priority.

Dean Clough's revival is central to that of Halifax and the county of Calderdale in general, where unemployment has fallen to 5.3 per cent.

It was because Dean Clough was there – and on the way to regeneration – that Business in the Community (BiC) chose Calderdale in 1986 for Britain's first real attempt at the sort of "one-town partnership" which had successfully transformed several struggling, old industrial towns in the US.

These partnerships are between the public and private sectors, between politicians and business leaders. A century ago, the same people often occupied both roles. Civic buildings, parks, and libraries all over Britain testify to the effect this had on their communities.

In the US there has usually had to be at least one very large private sector development to enable a critical mass to develop and get things going. Thus in Lowell, Massachusetts – which is about the same size as Halifax, with about 100,000 people – the spur was the Wang Corporation.

Wang built its headquarters in the town, bringing high technology jobs. When it put its training centre in the middle of Lowell, a Hilton hotel followed, which was certain of reasonable occupancy because of the regular flow of trainees.

Dean Clough occupied this catalytic role in Calderdale in getting the partnership going, thanks mainly to Mr Ernest Hall, Dean Clough's developer. He bought the mills in 1983 after disengaging from the Mountleigh property group, which he had founded, to do something more creative.

Mr Stephen O'Brien, BiC's chief executive, describes him as a "social entrepreneur." When BiC chose Calderdale for its experiment, Mr O'Brien immediately took his annual leave in Calderdale to get the feel of the place. Mr Hall's was an important, formative influence. The partnership catalysed the Halifax Building Society into action through Mr Crawford Laughlin, a senior executive. He joined a "focus group" with Mr Hall and Mr Richard Wade from BiC.

From the private sector came Mr Bill Rooney, the chairman of the locally based Spring Ram kitchens and bathrooms company, one of Britain's more spectacular business successes of the 1980s. He was joined by Mr Ken Sinfield, whom Sun Alliance had installed to run its Bradford and Pennine motor insurance subsidiary, which had formed and expanded in Dean Clough.

The public sector side of the group was provided by the leaders of the political parties on Calderdale council and Mr Michael Ellison, the council's chief executive.

Regular visits from Prince Charles, BiC's president, helped stress the importance of the venture, while members of BiC's general council – mainly the chairmen or chiefs of most of Britain's top 200 companies – have looked for themselves.

The effect has been to attract new investment and jobs. The partnership's director – at first a BiC man and later funded by Business in the Cities – has moved on and the partnership vehicle is called a "projects company" with a chief executive on secondment from Yorkshire Electricity Board.

The company is funded by Yorkshire Bank and its first project will be to make up unadopted streets on a break even basis for the benefit of the community. A commercial project is in the pipeline.

Meanwhile, the original partnership is represented by an expanded focus group. A large site for industrial development which was identified early on is about to come into use and a development plan for the mill town of Sowerby Bridge is well under way.

Halifax is to house Eureka! – the national children's museum, which is supported by the Clore Foundation. The partnership persuaded Mrs Vivien Duffield, Sir Charles Clore's daughter and head of the foundation, to look at Calderdale. A business leadership team has been formed, chaired by Mr Hall and with Mr Ellison as its chief executive.

Ernest Hall, Dean Clough's developer. He bought the mills in 1983 after disengaging from the Mountleigh property group

Not everything has gone smoothly. In 1988, United Biscuits closed its KP Foods factory in Halifax with the loss of 1,000 jobs, and the partnership's future was threatened. It was not so much that Sir Hector Laing was then chairman of both UB and BiC, but that he did not take the focus group into his confidence so that the partnership could soften the blow.

Indeed, the row had wider implications because some people thought it was about the right of companies to make commercial decisions unfettered by their support for BiC. However, private sector members of the Calderdale partnership maintain it was about tact and public relations, not the rights and wrong of closure.

Ironically, the KP closure wiped out the 1,000 extra jobs the partnership reckoned it had fostered in its first year. It recovered, and the jobs were largely replaced, but at a price.

Some people in the borough's controlling Labour group remain suspicious of private sector motives. Understandably, they question if the partnership is there to make it easier to close factories. It meant everyone worked that much harder to prove that the effort has an intrinsic worth of its own and is leading to a better Calderdale.

As Mr Hall puts it: "One very important value fostered by the partnership has been that as we have worked increasingly with the public sector we have come to spend much time debating and achieving consensus. We take much more notice of the public sector than we ever used to.

"I can only urge people to look at the proof. We don't have job problems now as much as social problems, and we're working on those."

This has led to an unusual benefit. Mr Hall is an accomplished concert pianist and his concept of quality of life has a strong bias to the arts. So Dean Clough also houses the northern branch of the Slade School Art, while the Henry Moore Sculpture Trust has a 7,000 sq ft studio there with up to six international sculptors in residence at any one time.

Mr Hall has also put together one of the best collections of British contemporary art in a gallery off Dean Clough's main foyer. Small wonder that the Northern Ballet, which wanted to move from Manchester, has settled on Calderdale.

COMMON PURPOSE

School for future leaders

COMMON Purpose is a newly-launched project as yet little known or understood in Britain: but if it grows in the way that similar organisations have mushroomed in the US, it could soon become a familiar feature of community life in cities up and down the country.

The project is unusual in that it exists not as a means of providing funds or other resources to help less privileged members of society. Its single aim is to identify emerging leaders in the community and show them how they can make a greater contribution to public life.

The concept stems from a belief that successful cities need good quality leaders, and that most cities simply do not have enough of them.

In the words of Ms Julia Middleton, Common Purpose's 31-year-old founder and chief executive: "If you go to almost any major city you'll find there are 10 or 12 people who are on virtually every board and project, and very often you'll hear them asking 'Where the hell are all the others?'"

The idea, like so many of its kind, was born in the US, where it emerged for a variety of reasons.

One was the race problems of the 1960s, which emphasised the need for greater understanding between different sections of the community: another, the trend towards corporate mergers, which too often stripped cities of local business leadership by putting decision-making in the hands of remote national corporations.

The first programme was set up in Philadelphia in 1959. Now there is barely a city in the US which does not have one, and they are grouped together under the banner of the National Association of Community Leadership Organisations, set up in 1979 to act as a focus and a source of information.

Credit for bringing the idea to the UK goes to Mrs Middleton, who had earlier pursued a career in employee relations and successfully launched the Head Start programme for training unemployed young people in inner cities.

Mrs Middleton heard about the US experience of community leadership organisations in 1988 and, enthused with the thought of what it could do for UK cities, set up Common Purpose as a non-profit-making charitable trust in 1988.

Julia Middleton, Common Purpose's chief executive

Getting the project off the ground called for nearly £500,000 worth of start-up finance. Half of this came from the government's Action for Cities programme and the other half from Body Shop, BP International, British Telecom, Coopers & Lybrand, Grand Metropolitan, National Westminster Bank and Wellcome.

After a few months of groundwork, the first two Common Purpose projects were launched in Coventry and Newcastle-upon-Tyne in April last year and swung into action last October.

Participants in each programme are drawn from as wide a range of backgrounds as possible to reflect the diversity of the city's community.

They may be from the arts, business, commerce, education, health, housing, industry, local government, the media, police, the professions, religious groups, trade unions or voluntary organisations.

They are from a variety of ethnic backgrounds, mostly aged between 30 and 45 and working in a paid or voluntary capacity.

But most important, they are perceived as emerging leaders, involved in making decisions which have an impact on life in the city.

Once selected, the participants – about 30 or 40 of them – pay a course fee of £500 which their employers are expected to provide. They then join a 10-month programme consisting of an opening two-day residential seminar followed by one day a month of intensive, 12-hour sessions covering key issues in the city.

In Coventry, for example, the nine monthly sessions are focusing in turn on education, government, health and social services, environment and housing, the economy, quality of life, crime and justice, people and potential, and the city's image.

A typical session might consist of addresses from keynote speakers, then a division of the group into case study syndicates, site visits, further work in syndicates, feedback from experts in the field, and a final discussion.

The idea is to educate the participants about the way cities work in the hope that they will one day become influential community leaders and put that knowledge to use.

The programme should also broaden people's outlook so that when it comes to making decisions, they look beyond the narrow confines of their own job and see those decisions in the context of how they affect the city as a whole.

This is not just an altruistic exercise. Mrs Middleton cites the recent example of a Coventry company that introduced new plant and then had to spend around £250,000 on sound deadening equipment because it had failed to anticipate objections from local residents about the noise. With a better understanding of the way housing relates to the environment, she says, the decision-makers might have avoided the problem.

"People at senior levels cannot operate well within a city if they have no knowledge of sectors beyond their own," says Mrs Middleton.

"If you want to move your business, for example, you have got to have the ability to work with local government. If you want to do almost anything within a city, you have got to be able to work with people beyond your own sector."

Employers have responded enthusiastically to the scheme, seeing it as an economical way of developing management potential within their own employees while simultaneously giving something back to the community in which they operates.

Common Purpose is still very much at an experimental stage. Another three schemes – in Bradford, Islington and Swindon – will start in October, followed by two more in January next year.

By then, receipts from tuition fees should enable the scheme to become self-financing: and if it is judged a success, it will be ready to spread throughout the UK.

Richard Tomkins

Common Purpose, 20-22 Great Titchfield Street, London W1P 7AD. Telephone 01-323 5131

ETHNIC MINORITIES

Notable absentees

A SCROLL of honour of black people at the top of British institutions would not take up many yards of parchment. There are relatively few prominent business people from among the ethnic minority communities. Relatively few chief officers of local authorities. Few head teachers. Even fewer senior police officers.

This comparative lack of representation of Britain's ethnic minority communities in leading positions is accompanied by over-representation at the other end of the scale. Afro-Caribbean and Asian people are disproportionately likely to be unemployed. They form a large proportion of the population of many of Britain's inner city areas, where they face a wide-ranging combination of economic and social problems.

For younger people, in particular, education and training offer opportunities to overcome the disadvantages often associated with this environment. But research produced by the Council for National Academic Awards for the Commission for Racial Equality last month suggests that disadvantage can continue even among ethnic minority graduates.

The report finds that they have greater difficulty than white graduates in obtaining jobs and are more likely to be unemployed after graduation.

"In describing the difficulties they encountered in finding suitable employment, the ethnic minority graduates mentioned ethnic origin as the factor which most hindered their search for a job," says the report. "They felt it often influenced the conduct and outcome of job interviews."

Survey evidence, says the report, supported this view. Graduates from ethnic minorities needed more interviews that their white counterparts in order to obtain a job offer.

While, in common with all graduates, they were unlikely to be unemployed in the long term, members of ethnic minority communities were less likely to be satisfied with their eventual employment and "although the evidence is not all one way, the quality of job obtained is likely to be inferior to that obtained by a similarly qualified white graduate."

One of the CRE's recommendations for overcoming the problem is that employers should implement equal opportunities policies in accordance with its code of practice for eliminating racial discrimination in employment.

This has a wider application that simply among graduates. Preliminary results of a formal investigation by the CRE into employment and training opportunities in the Cardiff area show that two-thirds of employers have formal equal opportunities policies – but the reality is that ethnic minorities are under-represented in most of those employers' workforces.

There are no grounds for thinking that Cardiff is unusual in this respect – the results are similar to a national survey carried out by Social and Community Planning research in 1985-86.

Demographic changes are reducing the numbers of young people in the workforce, and CRE officials hope that in this tightening labour market employers will adopt more positive policies towards recruiting young people from ethnic minorities. It wants them to review recruitment and selection procedures in case they give rise to direct or indirect discrimination, and introduce ethnic monitoring to identify areas of under-representation.

The Home Office, through its Ethnic Minorities Business Initiative, is engaged in a drive to increase the number of companies run by ethnic minority business people, and help them make the fullest possible contribution to the economy.

A development team is engaged in helping ethnic minority entrepreneurs to develop business contacts; encouraging local enterprise agencies to ensure that their advice services reach minority communities, and persuading banks and other groups to give particular attention to ethnic minority business needs.

Among its specific activities the development team is currently:

- Adapting a local purchasing scheme in Coventry, which is helping small inner city businesses to win a substantial number of contracts from both the public and private sectors, for introduction in Nottingham and three other cities.
- Running from this month 11 workshops for 230 bank managers in four cities, which are designed to improve their response to business propositions from ethnic minority entrepreneurs.
- Holding a conference in Bolton in May which will publicise examples of good local enterprise agency marketing, and the operation of development loan funds.
- Negotiating with business schools and other organisations to develop training programmes for business counsellors who work in ethnic minority communities.

"There is an increasing recognition now among enterprise agencies and other service providers of the need to assist developing ethnic minority businesses, and not to concentrate solely on start-ups," Mr John Patten, the Home Office Minister responsible for race relations, told an Ethnic Minorities Business Initiative conference earlier this month. "While many of the problems facing small businesses in the start-up phase remain as those businesses develop, growing businesses face additional problems."

In spite of some positive initiatives, many black people in Britain face not only disadvantage but open racial discrimination which at its worst becomes racially-motivated violence.

One of the most disturbing recent descriptions of the negative aspects of ethnic minority life in Britain came in the recent report on an inquiry by Lord Gifford, QC, into race relations in inner city Liverpool. This concluded that the situation in the city was "uniquely horrific," with black people facing threats, taunts, abuse, violence and a "devastating lack of mobility."

Alan Pike

IBM in the community

Mr Tony Cleaver, chief executive IBM UK, who heads Business in the Community's task force on the environment. IBM is noted for its policy of seconding staff to community projects. The cost in 1988 was £1.37m. Computer equipment and software donations totalled £941m, and cash donations £1.94m. Advice on making contributions more effective comes from a panel of charity leaders working with IBM

Business: a part of the Community 8

The Japanese want to be good corporate citizens. **Robert Thomson** asks why

The social challenges that lie ahead

JAPANESE companies have a long and honourable history of sending emissaries abroad to study manufacturing and marketing techniques.

These assiduous travellers have visited factories, asked strategic questions, taken copious notes, and adapted the intelligence for use back home.

Now, a different kind of fact-finding mission has become popular. Japanese companies want to learn how to be "good corporate citizens", a phrase in vogue among executives in Tokyo, and so managers are visiting companies with successful foundations, such as Levi Strauss in San Francisco and AT&T in New York.

Last November, there was a conference in Tokyo on "Becoming a Good Corporate Citizen".

Mr David Rockefeller, chairman of the Rockefeller Group, spoke on "private philanthropy in an interdependent world", while Mr Akio Morita, chairman of both Sony Corporation and Japan's Council for Better Corporate Citizenship, took the theme "the role and challenges

Akio Morita, chairman of Sony and Japan's Council for Better Corporate Citizenship

SUMITOMO

for Japanese business in the global localisation period."

The "global localisation period" is also the "investment friction period", and the self-improvement programmes undertaken by Japanese companies have been led by a desire to become good corporate citizens in foreign countries.

Strangely, the level of community consciousness is much lower at home, but the learning experiences abroad are beginning to influence corporate attitudes to the domestic community.

Japanese companies, known for the strong support networks established for employees, have argued that the government has obstructed the development of the broader value systems espoused by some foreign companies.

For example, the *Keidanren* – the Japan Federation of Economic Organisations – estimates that US corporate donations amount to about 2 per cent of gross national product while the comparable figure in Japan is 0.1 per cent.

Mr Yoshio Nakamura, deputy director of the Council for Better Corporate Citizenship, said that companies have always looked to the government to satisfy community needs, and that the government has stifled community consciousness through high corporate tax rates and puny tax deduction allowances for charitable donations.

"If the government does not change tax regulations, it will be difficult for companies to change," Mr Nakamura said. "Japanese companies can only claim 1.25 per cent of their income tax as a deduction for donations. In the US the figure is 10 per cent." (The Japanese government also allows companies to claim deductions to an additional 0.125 per cent of their capital.)

Mr Nakamura is also deputy director of the international economic affairs department of the *Keidanren*, which last November launched the "one per cent club" – member companies are supposed to donate one per cent of income to worthy causes, in Japan or abroad – and has resolved to "make 1990 an inaugural year for Japanese corporate philanthropy."

The problem of relying on government bureaucrats to do community work is also highlighted by Mr Tadashi Yamamoto, president of the Japan Centre for International Exchange (JCIE), which co-organised the first group tour of Japanese company representatives to US corporate charities in 1988 and co-sponsored the 'good citizenship conference' in Tokyo last November.

Mr Yamamoto says that private philanthropy does not have a strong tradition in Japan, as the government has been seen as almost totally responsible for the public's needs.

"The government has led the economic catch-up, and there has been very little promotion of private philanthropy. Foreign pressures have been a catalyst for change."

He points out the image problems abroad exacerbated by some companies making large cash donations to various universities and charities, without being prepared to donate time.

"There is the image of the Japanese businessman abroad signing up for the golf club in Europe or the US, but not joining the chamber of commerce or Rotary," Mr Yamamoto said.

NOMURA

A JCIE report prepared on the US visit in 1988 concluded that the "participants at least understood, if they were not totally convinced, that philanthropic and voluntary activities are essential for the success of a business corporation in any given regional community."

The report also advised that "there can be even greater negative reactions against Japanese corporations which attempt to improve their images only through financial means."

Similar themes are echoed by Mr Nakamura: "When we are in foreign communities we have to be neighbours. We have to participate in the community. I think voluntary work is more important than money."

The first organised group of Japanese merchants to become involved in community works was apparently the Akita Kanon Ko, established in 1829 and devoted to assisting impoverished farmers, the financially distressed, and orphans.

In the build up to the Pacific War, companies were under pressure from the militaristic right wing to prove that they had the nation's best interests, and not just profits, at heart.

Asahi Glass established a foundation for technological research and social welfare, while the best known foundation was the Mitsui Ho'on Kai, established by the giant industrial combine in 1934 and translated as the Mitsui Association to Repay the Obligation (to the nation).

The growing strength of the economy in the 1950s provided an opportunity for a broader vision of the corporate role, and Toray, the textile company, established a science foundation in 1960 after having been influenced by Ford Foundation of the US.

Companies such as Mitsubishi, Toyota, Sumitomo, Marubeni, and C.Itoh established foundations in the late 1960s or early 1970s, when burgeoning wealth had prompted a contemplation of the corporate role, yet these were often just well-intentioned experiments in philanthropy and sometimes fettered by limited budgets and outlook.

About the same time, some larger companies established research institutes that were intended to broaden the company's community base and contribute to creative thought. The Nomura Research Institute was set up in 1965, the Mitsubishi Research Institute in 1970, and the Hitachi Research Institute in 1973.

A foreign employee at one of the best known Japanese foundations said that the parent company still lacks a clear vision of what role the foundation should perform.

The employee said that little of the foundation's money is devoted to domestic projects, senior staff are failed managers of the main company, and foreign donations go to projects that have high prestige value or the potential to draw media attention.

Mr Nakamura, whose council is planning another US

MITSUBISHI

group tour by Japanese managers for April, said that companies have always been keen to give money to well known foreign universities such as Harvard or Oxford, but are beginning to diversify donations.

"The money has gone to the famous universities, although recently, in the US, this has been changing. But Japanese companies in England do not think about their local areas, they like to give funds to Oxford and Cambridge. Sometimes we should be more behind the scenes," he said.

One of the dangers of large, up front donations to high-profile institutions is that the money could be taken the wrong way. A recent article in the The New Republic entitled "The Japanese Megaphone" has prompted an emotional debate over whether Japanese sponsorships of such things as university chairs are an attempt to "win American hearts and minds" and part of a "concerted political and economic strategy."

Volvo's Pehr Gyllenhammar: supports an enlightened form of capitalism that stresses the wider responsibility of companies

SWEDEN

Corporate conscience stirs

THE social-citizenship ethics of Sweden have shaped the attitude of the country's employers since the 1930s. The consensus between capital and labour, first enshrined in the 1938 Saltsjobaden Agreement has ensured Swedish employers have had to accept wider obligations to act as good citizens in a democratic community.

In the network of public institutions that cover almost every facet of Swedish life the employers enjoy a presence by right as labour's social partner and through a process of compromise and accommodation they have learnt to conform to norms of social responsibility, which are far higher than in most other western economies.

However, under the Social Democratic hegemony that has dominated the country for more than half a century the role of employers in the community has been severely circumscribed. The state has not encouraged corporate Sweden to shoulder social burdens in the wider society for ideological reasons.

It is the traditional Social Democratic purpose to universalise social provision through the public services in an egalitarian way on the basis of a system of high taxation. The country's employers have been encouraged to channel their social energies into improving the conditions of working life inside their plants rather than to building up their connections with the world beyond the workplace.

Under Swedish social democracy it is the state and not the private sector employers which has sought to construct the good society. It has been the persistent and innovatory role of the public authorities that has been all-embracing in the evolution of Sweden's progressive social policy.

Nevertheless most Swedish employers exercise a keen social conscience. This has become particularly apparent in recent years on environmental issues.

Over the past five years the Volvo company, for example, has spent more than Skr1bn on improving the interior and the exterior environments of its plants.

The company's chairman Mr Pehr Gyllenhammar is the articulate exponent of an enlightened capitalism that stresses the wider responsibility of companies to the world in which they operate.

He is not alone in his. Other employers like Mr Marcus Storch, president of Aga, and Mr Jan Carlsson, the head of Scandinavian Airline Systems, retain a similar highly moralistic view of their role as businessmen in society.

Indeed, they are often keen to prove their civic responsibility for in Sweden there has been a successful fusion between commercialism and ethics in corporate business life exemplified in the past by benign patriarchs such as the late Marcus Wallenberg.

However the Swedish tax system has done little to encourage the use of corporate finance in community activity. Private charities fail to enjoy the benefits that can stem from tax exempt donations from companies.

On the other hand individual entrepreneurs like Mr Anders Wall, head of Beijer industries, and Mr Peter Wallenberg do provide financial support to good causes from their own personal fortunes.

Moreover, there is a tradition of financial sponsorship of sporting events like tennis championships and horse shows by companies; the recent renovation of Stockholm's Opera House benefited from some private corporate funding.

During the 1980s some critics have suggested that the standard of ethical behaviour in the business community has declined sharply with the rise of a more acquisitive and amoral get rich quick mentality.

It is suggested that Sweden's byzantine tax system has encouraged subterfuge, a bending if not a breaking of rules and regulations.

The new self-made men of finance and industry have been pilloried in the mass media for their allegedly lavish life styles and many Swedes have lamented what they see as the demise of the old employer values of honesty and integrity.

Last December, Mr Jacob Palmstierna, chairman of Sweden's largest bank, Scandinaviska Enskilda Banken, was compelled to resign because of his alleged tax irregularities over a peppercorn rent he paid on a luxury villa provided by the bank in one of Stockholm's smarter suburbs.

His sudden fall from grace sparked off a characteristic bout of self-righteousness about the ethics of the market economy, though by international standards there is no reason to believe that Sweden's businessmen are any the less dutiful than their contemporaries in other western countries.

Sweden's comprehensive tax reform, to be completed in 1991, looks unlikely to encourage employers to take a more prominent role in public activities than they already do at the moment.

But as the country becomes more individualistic and its sense of social solidarity continues to disintegrate, the opportunities for companies to exercise their social consciences in the wider society may well grow more prominent.

On the other hand, Sweden has few serious social problems of its own that require specific remedies from the country's employers acting collectively in the community. With no significant underclass, full employment, adequate housing and relatively well-off pensioners, there is no sense of urgency for entrepreneurs in the community.

It is true serious strains have begun to appear in the fabric of the Swedish welfare state at the moment, particularly in the provision of child care centre places and hospital treatment for those needing routine operations; the pressure for a more private entrepreneurial involvement in such areas is growing all the time.

But none of this seems likely to transform the deeply held belief in Sweden that the purpose of employers is to provide the financial resources that the state can use for the betterment of every citizen through the provision of public services.

However, there is perhaps an even deeper tradition in Sweden that should not be entirely forgotten. It was the chemist Alfred Nobel whose philanthropy created the Skr31m investment fund in 1900 to be used for the award of annual prizes to those in the arts and sciences who had 'conferred the greatest benefit on mankind'.

But even in the Nobel Foundation, the governments and parliaments of Sweden and Norway play an important role. As always public and private benevolence go hand in hand. This is very much the Nordic way.

Robert Taylor

WEST GERMANY

Sense of duty underpins donations

MOST West German companies have a narrower view of their role in the community than US and British companies. The exceptions are those companies which finance foundations. These foundations are very close to their corporate benefactors, unlike in the US where the big foundations tend to be independent.

A sense of duty to "contribute to the public good" was cited as the main reason behind German corporate donations, according to a study commissioned by the Cologne-based Institute of the German Economy. Social responsibility, donations prompted by "personal contacts" and image-building were the other mains factors.

Whatever the reasons behind their generosity, public recognition of the fact is apparently much sought by German companies. The chemical concern Hoechst AG, for example, stopped sponsoring a marathon in Frankfurt after the race was referred to simply as the Frankfurt marathon instead of the Hoechst marathon.

Pique aside, companies are giving more than ever before but their contributions are still low by international standards. According to the Essen-based Association of Foundations for German Science (AFGS), in 1987 German companies spent about 0.5 per cent of corporate profits on public welfare, about a quarter of that donated by US companies.

"We in Germany do not have the frontier spirit and the sense of independence that people in America had when they were conquering the wild West," complains Mr Horst Niemeyer, chairman of the AFGS, an umbrella group representing several thousand private, local government and industry foundations. "We are more used to expecting help from the government."

The AFGS estimates that in 1988 German companies made donations of some DM410m, up 7 per cent from the previous year. Yet the true figure is difficult to determine. Many companies, including Hoechst, rarely disclose the amount they give to charities or local causes. One factor cited behind this reticence is that revelations of welfare contributions to charities, for instance, would anger the companies' workers.

"Imagine what people would say if we made public the amounts we gave to the local football team after the management refused to negotiate a pay rise for the workers or said profit declined that year," says one industry executive.

German sociologist Mr Helmut Schoeck believes many companies suffer badly from an inferiority complex and are seeking to defend themselves from potential accusations of being only profit-oriented.

He points out that "the purity and the beauty" of giving can be justified only when "the benefactor is propelled by the joy of giving and not by a bad conscience ." At the same time, Mr Schoeck warns that giving "must not endanger the cash flow of a corporation."

That, in any event, is unlikely. German corporate donations pale beside the contributions of individuals or regional foundations who provided the bulk of the DM9bn of public donations in 1988.

Corporate giving for tax consideration is not an important factor, says Mr Niemeyer. Unlike in the US, where up to 50 per cent of corporate contributions are tax deductible, in Germany only 5 per cent of total company donations qualified for tax deduction allowances last year.

Among the biggest recipients of donations are local sports clubs. Indeed, some would not exist but for the sponsorship they receive. The beer company Karlsberg, for instance, gives DM450,000 to a football club in Kaiserslautern, while Moninger, another brewery, provides a sports club in Karlsruhe with DM400,000 annually. Hoechst sponsors a volleyball club and a hockey team in Frankfurt.

Environment is another popular cause. A foundation set up by two banks in the Krefeld, in southern Germany, has as its sole aim combatting industrial pollution and sponsoring research into more environment-friendly industrial technologies.

While several corporations give money directly on their own initiative or after being approached for funds, many channel their donations through foundations set up often by the company's original founders.

One of the better-known is the Alfried Krupp von Bohlen und Halbach Foundation, which has more DM500m in assets (in nominal value).

Since its founding in 1887, the Krupp Foundation set as its aim "to promote the public interest and welfare of all residents of the city of Essen without any limitations." The company has built housing, hospitals, schools and recreation facilities in Essen and continues to finance local cultural, educational and sports events. Curiously, the foundation's charter said nothing about co-operating with the city's authorities, something which persists to this day.

According to the AFGS's Mr Niemeyer: "Companies and foundations often do not want to deal with local governments because they are afraid of becoming dependent on the authorities or that bureaucrats would waste their money." After more than 100 years, industry evidently still has little trust in local government.

Igor Reichlin